

# City of Salinas California



## **Basic Financial Statements** **Fiscal Year Ended June 30, 2019**



# Basic Financial Statements

## Fiscal Year Ended June 30, 2019



PREPARED BY  
THE FINANCE DEPARTMENT

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### AUDITORS

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Salinas, CA 93901



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## City of Salinas

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December 17, 2019

***Honorable Mayor and Members of the City Council  
City of Salinas, California***

We are pleased to submit the City of Salinas (City) Basic Financial Statements for the fiscal year ended June 30, 2019. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all notes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the residents of the City of Salinas, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

McGilloway, Ray, Brown & Kaufman, a firm of certified public accountants, have audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

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

This report is divided into two sections:

- The **Introductory Section** includes this letter of transmittal and an organizational overview of the City government.
- The **Financial Section** consists of the independent auditors’ report, Management’s Discussion and Analysis, Basic Financial Statements; which include the Government-Wide Financial Statements, Fund Financial Statements, Notes to Financial Statements and Required Supplementary Information and other Supplementary Information.

### **The Reporting Entity and Its Services**

In defining the reporting entity, there are no other governmental units over which the City Council has financial accountability. Under new state law, the Salinas Redevelopment Agency, which was a component unit of the City, ceased to exist as of February 1, 2012, and therefore the assets and activities of the dissolved redevelopment agency are reported in a Fiduciary Fund (private purpose trust fund) in the financial statements of the City.

The City of Salinas acts as fiscal agent for the Sunrise House. Therefore, the financial information of this agency is included in the Fiduciary Funds in the accompanying financial statements. The City’s service as fiscal agent has ended during the year.

The City of Salinas was incorporated as a charter City on March 4, 1874, and operates under the Council-Manager form of government. The City is governed by a six-member Council elected by districts for four-year alternating terms and a Mayor elected at large for a two-year term. The Council appoints the City Attorney and the City Manager who is responsible for day-to-day administration of the City under the policy direction of the Council.

The City of Salinas is the “county seat” of Monterey County, and is located in the Central Coast region of California, 17 miles inland from the Monterey Bay, 325 miles north of Los Angeles and 106 miles south of San Francisco. Salinas is a charter City providing all typical City services: Public safety - police and fire, Public Works - maintenance services (streets, lighting, signals, facilities, parks and trees), development and permit services, current and advanced planning and

traffic and facilities engineering, Library, Recreation and General administrative services. Business-type City services include: a Municipal Airport, Industrial Waste system, Golf (two municipal golf courses), Sanitary Sewer and Storm Drain systems, Water Utility and a Parking District. The State Department of Finance reports the City's population at 162,797 as of January 1, 2019. The City FY 2019-20 budget includes 611.50 positions authorized on a full time equivalent basis.

Three elementary school districts, a unified high school district and several private schools at both the primary and secondary level operate in the City of Salinas. Hartnell College, a State Community College, offers two-year degrees and occupational certificate programs. California State University Monterey Bay is located less than 15 miles away on the former Fort Ord site. Graduate studies through Golden Gate University, Monterey Institute of International Studies and Chapman College are available nearby. Also in the area are Moss Landing Marine Laboratory, Monterey College of Law, Stanford University's Hopkins Marine Station and San Jose State University.

Salinas has extensive health and medical services with two of Monterey County's four hospitals located within the City. Salinas also offers skilled nursing and convalescent homes and residential retirement facilities for seniors, as well as over 220 practicing physicians.

Fire protection and basic and advanced life support are provided by the City's full service Fire Department. Advanced life support services are provided by the Fire Department's paramedic program. The City of Salinas has a Police Department and receives additional support, as required, from the Monterey County Sheriff's Office and other regional, state and federal agencies.

The City's moderate climate encourages year-round use of its 550 plus acres of municipal parks, which include golf courses, tennis courts and swimming pools. The Salinas Community Center regularly hosts symphonies, ballets, concerts and conventions. Salinas is host to the annual Steinbeck Festival, the California Rodeo, and the California International Airshow. Salinas has a modern California Sports Complex and the National Steinbeck Center. Surrounding Salinas are diverse recreational opportunities including beautiful beaches and the world famed golf courses of the Monterey Bay Peninsula.

As the retail hub of the Central Coast, Salinas enjoys a wide selection and diversity in its stores. Northridge Shopping Center contains over 120 specialty shops and four major department stores – Macy's, Sears, Best Buy and J.C. Penney. Harden Ranch Plaza includes Wal-Mart, Target, Safeway, specialty stores, restaurants, and banking institutions. The Westridge Shopping Center is home to Costco, Wal-Mart, Office Max, Dick's Sporting Goods and a variety of national chain restaurants. The Salinas Auto Center houses nine local dealers and its retail area hosts Home Depot, Beverages and More (BevMo), Kohl's, and other specialty stores. Additionally, Salinas' location allows quick access to the Monterey Peninsula, as well as the San Jose area.

The City utilizes various Boards and Commissions in the conduct of its affairs. Commissions and Committees established by City Ordinance are:

- Airport Commission
- Library and Community Services Commission
- Traffic and Transportation Commission
- Planning Commission
- Measure G Oversight Committee
- Measure E Oversight Committee

Boards and Committees established by Resolution of the City Council are:

- Police Community Advisory Committee
- Animal Services Committee
- Design Review Board
- Board of Appeals
- Grievance Advisory Board
- Finance Committee
- Historical Resources Board

## **FINANCIAL INFORMATION**

The City's management staff is responsible for establishing and maintaining internal controls that safeguard the assets of the government from loss, theft, or misuse and allow the compilation of adequate accounting data for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed its likely benefits and that the evaluation of costs and benefits is subject to management estimates and judgments.

### **Single Audit**

As a recipient of Federal, State and County financial assistance, the City is responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these award programs. Internal controls are subject to periodic evaluation by management, the Finance Department staff, and the City's outside independent auditors.

As part of the City's single audit procedures, tests are performed to determine the effectiveness of the internal controls over major Federal award programs and the City's compliance with applicable laws and regulations related to these award programs.

## **Accounting System and Budgetary Control**

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

The City also uses encumbrance accounting as another technique for accomplishing budgetary control. An encumbrance is a commitment of a future expenditure earmarked for a particular purpose that reduces the amount of budgetary authority available for general spending. At the end of the fiscal year, encumbered appropriations are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse and are available to be appropriated through the following fiscal year's budget process.

The City Council approves operating appropriations at the department and fund level prior to July 1, each year and may amend the budget during the fiscal year. Please refer to Required Supplementary Information to the financial statements for a more detailed discussion of budget policy and control. The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

## **Annual Financial Report**

The purpose of the City's Annual Financial Report is to summarize the administrative and operational performance of the City during the previous fiscal year. The report is intended to highlight significant accomplishments that were achieved during the fiscal year ended June 30, 2019 and to provide a financial analysis of City performance.

## **Capital Assets and Depreciation**

As of June 30, 2019, capital assets, including infrastructure assets, of the City of Salinas totaled \$806.5 million; accumulated depreciation totaled \$407.0 million, with the difference providing net capital assets of \$399.5 million. Net capital assets of the City's governmental activities (general government) are \$281.3 million and net capital assets for the City's business-type activities (enterprise funds) are \$118.2 million.

Capital assets include buildings, infrastructure (streets, curbs, gutters, sidewalks, bridges, streetlights, traffic signals, etc.), improvements other than buildings (park improvements, etc.), and machinery and equipment.

During FY 2018-19, depreciation expense on capital assets of the City's governmental activities (general government) was \$10.8 million and depreciation expense on capital assets of the City's business-type activities (enterprise funds) was \$6.3 million. Depreciation expense represents the amount at which assets are being used-up annually. Due to budget constraints over the years, the City has been unable to invest in the maintenance of capital assets at anywhere near the annual depreciation amount.

Please refer to the Notes to Basic Financial Statements for a complete discussion of the City's Capital Assets.

### **Long-term Debt Payable**

At June 30, 2019, the City had \$413.1 million in long-term debt. Long-term debt includes liabilities for annual leave, long-term portion of Worker's Compensation claims payable, capital leases and notes and bonds payable, and net pension liability. While the General Fund guarantees most of the City's long-term debt, other funds, agencies or property owners make the majority of principal and interest payments. Examples of other funds, agencies or property owners include, the Industrial Waste Fund, Golf Courses Fund, the Sanitary Sewer Fund, Successor Agency to the former Salinas Redevelopment Agency property tax increments, and payments from property owners who are included in the City's various assessment districts.

Please refer to the Notes to Basic Financial Statements, Note 18, for a complete discussion of the City's Long-term Debt.

### **Fund Financial Statements-General Governmental Revenues**

The current governmental operations of the City are accounted for in the General, Special Revenue, Debt Service, and Capital Project Funds. For the fiscal year ended June 30, 2019, total revenues for general governmental functions totaled \$171.6 million, an increase of 6.0% over the previous fiscal year.

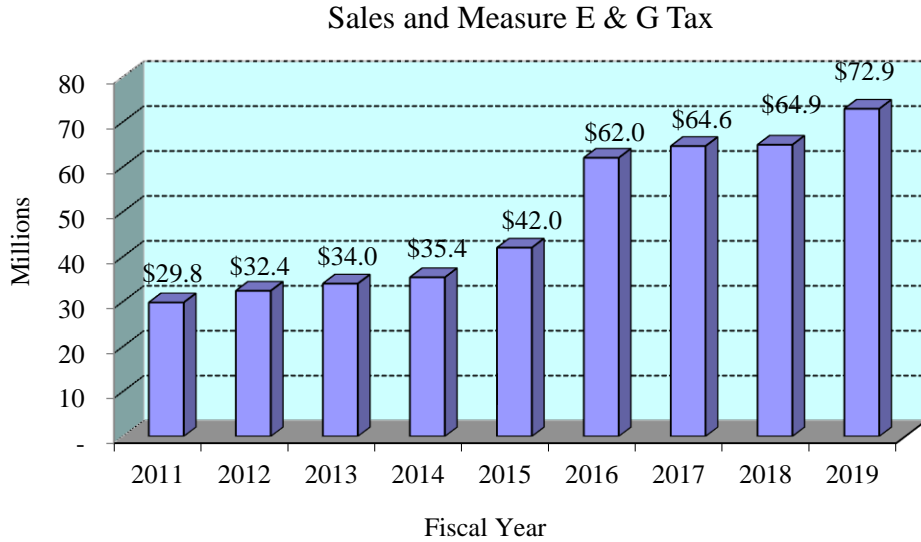
#### Sales Tax

The City has a well-diversified economy and sales tax base. Sales tax receipts increased for the eighth year after the three consecutive years of significant declines. The sales and transaction and use tax increased \$7.9 million, or 12.2% from FY 2017-18. This increase is a one-time increase as a result of the State implementing a new reporting system, which resulted in the City not receiving all of the amounts due for the first and second quarter of 2018. Eventually the City received it, which was in current FY 2018-19 year. The exact amount cannot be determined, but average increase over the last two years is 6.4%. Sales tax was still the largest single category of revenue this fiscal year producing 18.5% of the combined governmental fund type revenues. Transactions and Use Tax (Measure E and G) represents 24.0% of the combined governmental fund type revenues. Measure E and G transactions and use tax is a general tax and is reported as part of the General Fund. Combined, sales tax and transactions and use tax revenue total \$72.9 million or 42.5% of the combined governmental fund type revenues.

On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. On November 6, 2012, the voters of Salinas approved to extend the 0.50% transaction and use tax with no sunset (Measure E). Measure E is a general tax and is reported as part of the General Fund, although the tax is accounted for in a separate sub-fund of the General Fund.

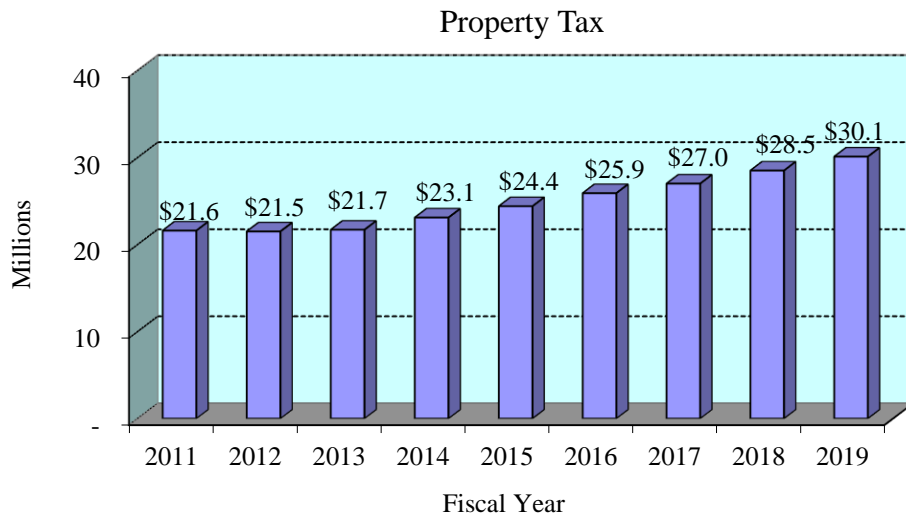
On November 4, 2014, the voters of Salinas approved Measure G, an ordinance imposing a one-cent general transactions and use tax. Measure G has a fifteen-year term and requires the City

Council to establish an Oversight Committee. Measure G is a general tax and is reported as part of the General Fund, although the tax is accounted for in a separate sub-fund of the General Fund.



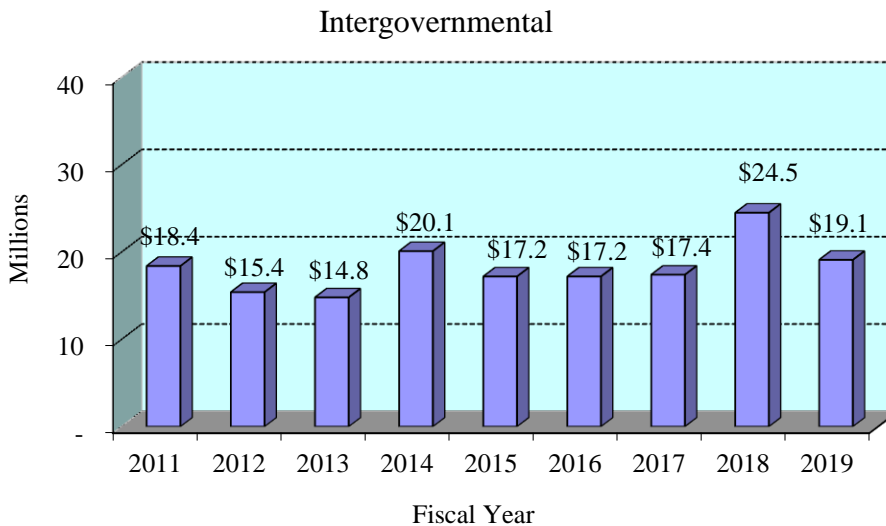
Property Tax

Property tax revenue was the second largest source of revenue during this fiscal year, producing 17.5% of the combined governmental fund type revenues. Property tax revenue includes Property tax-in-lieu of vehicle license fees (2/3 of VLF) of \$13.0 million that is now determined by the City’s growth in assessed property values. Property tax experienced a low in 2012 of \$21.5 million and is now \$30.1 million, which is more than a full recovery to the high of \$27.5 million in 2009.



## Intergovernmental

Intergovernmental revenue was the third largest single category of revenue during the fiscal year producing 11.1% of the combined governmental fund revenues. Intergovernmental revenues consist of vehicle licenses fees (1/3 of VLF), Federal and State Public Safety Funds, Federal Block Grants, State Gas Taxes and Federal and State Construction Grants. Intergovernmental revenue recovered from a 10-year low six years ago. Intergovernmental revenue had a decrease from the prior year by \$5.5 million, or 22.3%, mainly from Measure X funds, a regional revenue measure focused on streets improvements, received in 2018.



## Utility User's Tax and Other Taxes

Utility user's tax and other taxes produced 14.6% of the combined governmental fund type revenues. Other taxes include business license tax and franchise fees, among others. Utility user's tax decreased by \$0.9 million, or 7.2%. Other taxes increased by \$1.0 million, or 8.4% from the prior year.

Taxes receivable total \$15.3 million for the year ended June 30, 2019 and are further explained in Note 6 to the financial statements.

## Assessment District Taxes

The Assessment District Debt Service Fund taxes remained unchanged from the prior year at \$2.5 million.

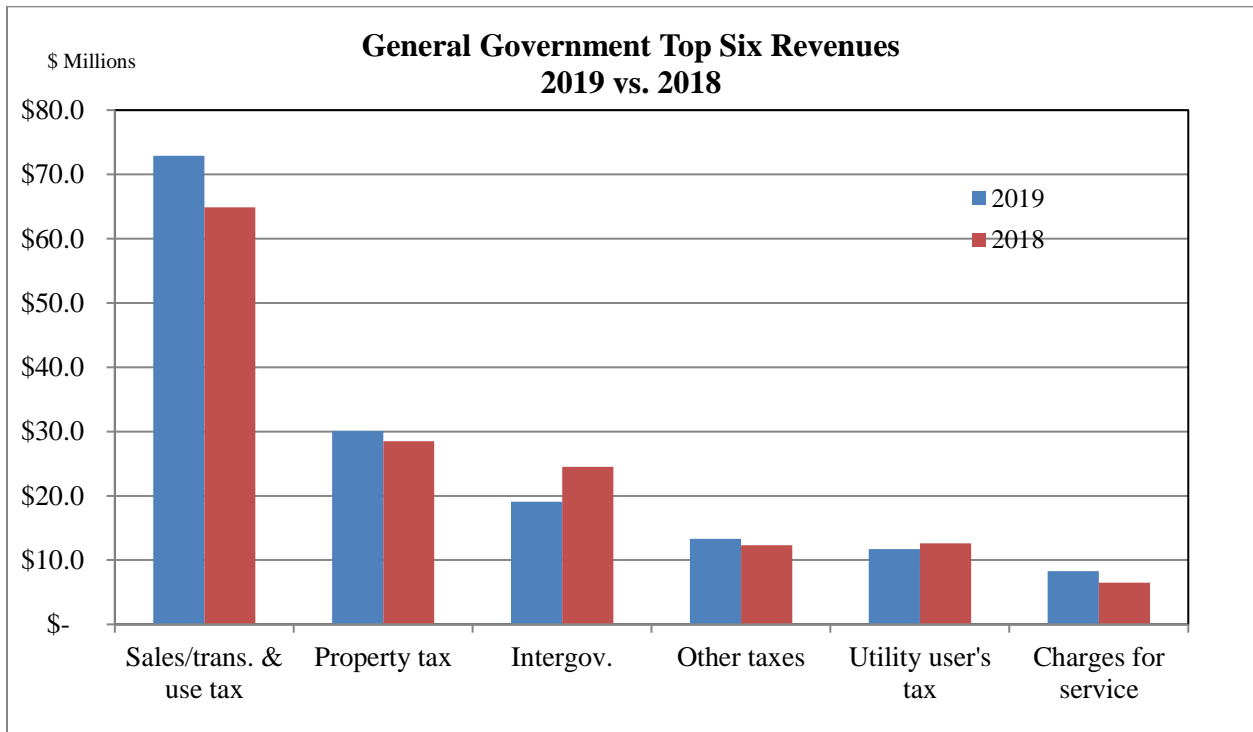
## Charges for Services

The Charges for Services revenue increased by \$1.8 million, or 27.6% as a result of increased development.



Revenues from various sources and the resulting changes over the last year are shown below.

Source of Revenues	2019 Amounts	Percent of Total	2018 Amounts	2019 vs. 2018 Increase/(decrease)	
				Dollars	Percent
Assessment districts:					
Taxes	\$ 2,479,777	1.4%	\$ 2,514,982	\$ (35,205)	-1.4%
Property tax	30,099,616	17.5%	28,499,277	1,600,339	5.6%
Sales/transaction & use tax	72,866,480	42.5%	64,924,869	7,941,611	12.2%
Utility user's tax	11,663,551	6.8%	12,562,782	(899,231)	-7.2%
Other taxes	13,309,896	7.8%	12,274,654	1,035,242	8.4%
License & permits	7,490,908	4.4%	6,357,723	1,133,185	17.8%
Intergovernmental	19,052,616	11.1%	24,531,643	(5,479,027)	-22.3%
Charges for service	8,304,237	4.8%	6,507,589	1,796,648	27.6%
Interest	3,416,428	2.0%	1,044,105	2,372,323	227.2%
Rental income	635,882	0.4%	608,312	27,570	4.5%
Fines/forfeitures	549,831	0.3%	847,826	(297,995)	-35.1%
Contributions	282,004	0.2%	110,014	171,990	156.3%
Miscellaneous	1,423,363	0.8%	1,014,416	408,947	40.3%
<b>TOTAL</b>	<b>\$ 171,574,589</b>	<b>100.0%</b>	<b>\$ 161,798,192</b>	<b>\$ 9,776,397</b>	<b>6.0%</b>

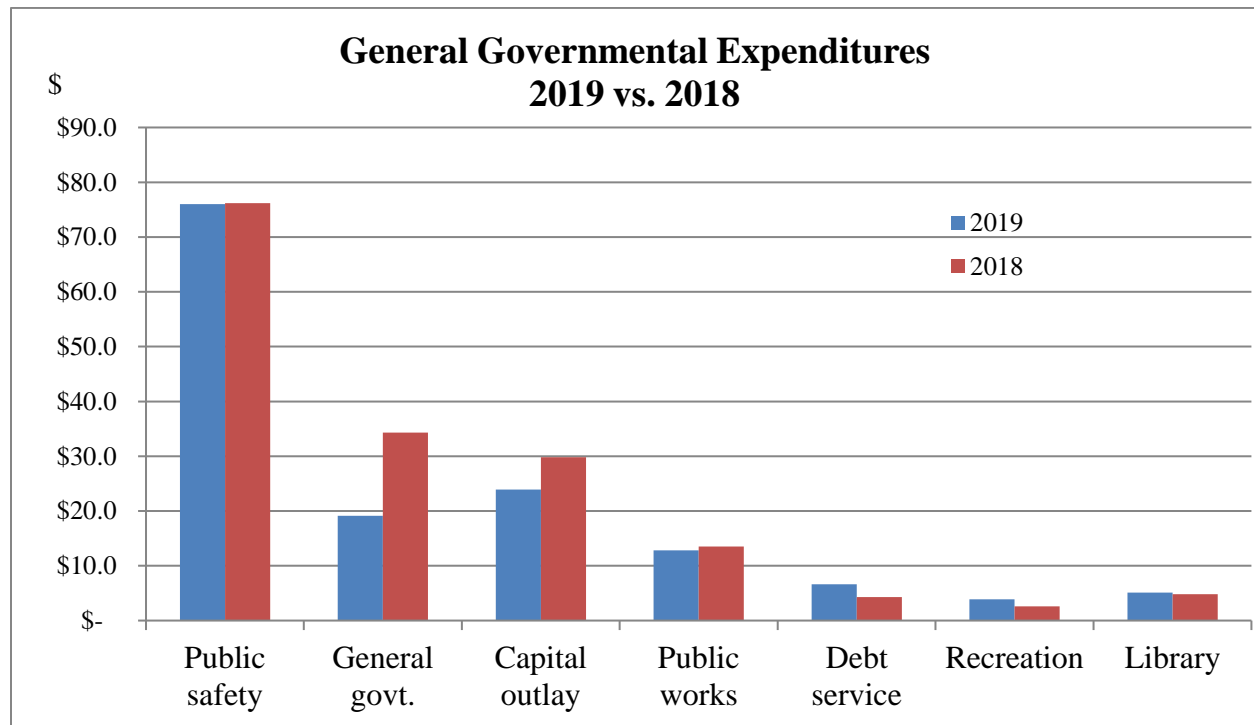


## Fund Financial Statements-General Governmental Expenditures

Expenditures for governmental operations during the fiscal year ended June 30, 2019 were \$147.4 million, a net decrease of 11.0% in total expenditures over the previous year.

Changes in expenditures by major function are as follows:

Function	2019	Percent of Total	2018	2019 vs. 2018 Increase/(decrease)	
				Dollars	Percent
General government	\$ 19,092,506	13.0%	\$ 34,303,909	\$ (15,211,403)	-44.3%
Public safety	75,960,561	51.5%	76,243,153	(282,592)	-0.4%
Public works	12,789,997	8.7%	13,512,685	(722,688)	-5.3%
Recreation	3,941,411	2.7%	2,566,808	1,374,603	53.6%
Library	5,113,905	3.5%	4,805,647	308,258	6.4%
Subtotal operations	116,898,380	79.3%	131,432,202	(14,533,822)	-11.1%
Capital outlay	23,944,191	16.2%	29,816,713	(5,872,522)	-19.7%
Debt service:					
Principal	3,159,338	2.1%	3,232,023	(72,685)	-2.2%
Interest	3,397,650	2.3%	1,094,547	2,303,103	210.4%
Total	\$ 147,399,559	100.0%	\$ 165,575,485	\$ (18,175,926)	-11.0%



Operating expenditures decreased by \$14.5 million or 11.1% from \$131.4 million in FY 2017-18 to \$116.9 million in FY 2018-19.

General Government decreased by \$15.2 million, or 44.3%. This decrease was due to the City making a one-time \$11.3 million payment to PERS in the prior year to pay down the UAL, an expense that was not done in the current year. Recreation increased by \$1.4 million, or 53.6%, due to the Community Safety division moving out of General Government to Recreation, further contributing to the decrease in General Government as previously noted. Public Safety decreased by \$0.3 million, or 0.4%, Public Works decreased during the year by \$0.7 million, or 5.3%, and Library expenditures increased slightly by \$0.3 million, or 6.4%.

Principal payments decreased slightly by \$0.1 million while interest payments increased by \$2.3 million due to new debt, notably the COP 2018B TRIP, which only required debt service payments on the interest portion in FY 18-19.

Capital Outlay (Project) expenditures decreased \$5.9 million or 19.7% from \$29.8 million in FY 2017-18 to \$23.9 million in FY 2018-19. During the year, there were 239 capital projects worked on. The largest project was the Police Services Headquarters project that continued from the prior year with \$1.9 million spent in 2019. The second largest project was \$1.7 million spent on the N. Sanborn Road Improvements. The third and fourth largest projects were \$1.5 and \$1.1 million on the Sanborn/US 101 improvements and the city-wide Slurry Seal Improvement projects, respectively.

### **Business-type Activities-Enterprise Funds**

Enterprise Funds are the City's business-type activities (activities supported, at least in part, by fees or charges) and include the Salinas Municipal Airport, the Industrial Waste Facility, the Municipal Golf Courses (Fairways and Twin Creeks), the Storm Sewer System, the Sanitary Sewer System, the Hitchcock Road Water Utility, the Parking District, Permit Services and the Landfill Garbage Surcharge Fund (which is used to account for the proceeds of the installment sale of the Crazy Horse Landfill to the Salinas Valley Solid Waste Authority).

The Enterprise Fund's net position totaled \$88.8 million at June 30, 2019.

### **Internal Service Funds**

Internal Service Funds are used to account for the City's fleet maintenance program and risk management program which administers employee benefits and the City's insurance programs including; 1) General Insurances-employee assistance program, unemployment claims, biennial physical exams and property insurance; 2) Workers' Compensation self-insurance program; and 3) General Liability self-insurance program.

At June 30, 2019, the Internal Service Funds liabilities for estimated claims payable totaled \$30.6 million, with \$20.6 million representing Workers' Compensation and \$10.0 million representing General Liability.

Total Workers' Compensation insurance claims liabilities are \$22.9 million at June 30, 2019. A portion of the liability is reported in the Internal Service Fund (\$20.6 million) and a portion is

treated as long-term debt (\$2.3 million). The long-term debt portion represents future obligations of the Workers' Compensation Plan.

## **Fiduciary Funds**

Fiduciary Funds are used to account for assets held in trust for others and cannot be used for general government purposes. The City maintains the following Fiduciary Funds: Private Purpose Trust Funds, Pension Trust Funds and Agency Funds.

Private Purpose Trust Funds include a deficit net position of \$0.0 million (\$24.8 thousand) held by the City, which decreased by \$1.3 million from the prior year. Of the net position, a net deficit of \$0.7 million is held by the City for the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and a net position of \$0.6 million held by the City for Community Center and Sherwood Hall activities, MRWPCA Fees, Sales Tax, Payroll Taxes, Deposits, Construction Bonds and other trust arrangements not properly reported in a pension trust.

Pension Trust Funds held by the City of \$17.1 million are employee deferred compensation funds.

Agency Funds are assets held by the City for Business Improvement District, Economic Development, Salinas Valley Enterprise Zone, Employee Cafeteria Plan and Retired Employees Health Insurance Program. Agency assets held by the City total \$0.1 million.

## **Cash Management**

In accordance with the provisions of California Government Code Section 53600 et. seq., the City is restricted to certain types of legal investments. These investments are included in the City's investment policy and are approved by City Council annually. In addition, the City's investment activity is reported to the City Council monthly pursuant to the California Government Code.

The City invests all idle funds daily. The cash management system of the City is designed to monitor revenues and expenditures to ensure the investment of monies to the fullest extent possible. The criteria, in order of priority, for selecting investments are safety, liquidity, and yield.

The majority of City funds (61.9% of investment at FMV) are invested in the State's Local Agency Investment Fund (LAIF). LAIF yielded average returns of 2.42% for fiscal year ended June 30, 2019 and grew from 1.900% to 2.57% during the fiscal year.

The City's investment in certificates of deposit and investment contracts are reported at cost, which is fair value. While recorded at fair market value in the financial statements, the City's investments are redeemable at 100% of cost.

The City's investment in the State Local Agency Investment Fund at June 30, 2019 is as follows:

Balance at cost - June 30, 2019	\$ 116,720,994
Unrealized gain	<u>203,684</u>
Balance at fair value - June 30, 2019	<u><u>\$ 116,924,678</u></u>

Please refer to Note 4 for a complete discussion of the City's Cash and Investments.

### Property Assessment

Assessed valuation of citywide taxable properties increased \$620.1 million to \$12,081 million representing an increase of 5.4% over FY 2018-19. Last year, the Assessed value exceeds the assessed value high of \$10,912 million in FY 2017-18.

The following table summarizes the growth and declines in assessed valuation.

Fiscal year	Before Redevelopment Increment	After Redevelopment Increment	Percent Change
2019-20	\$ 12,080,694,193	\$ 11,149,838,970	5.41%
2018-19	11,460,172,316	10,577,591,282	5.02%
2017-18	10,912,115,449	10,071,741,861	4.70%
2016-17	10,422,521,577	9,614,776,155	4.60%
2015-16	9,963,782,622	9,195,146,472	6.49%
2014-15	9,356,177,997	8,629,207,052	8.82%
2013-14	8,597,836,189	7,904,316,402	2.72%
2012-13	8,370,116,351	7,693,329,440	0.72%
2011-12	8,310,478,479	7,628,550,860	-0.61%
2010-11	8,361,701,633	7,473,844,928	-6.75%
2009-10	8,966,761,801	7,981,760,147	-11.25%
2008-09	10,102,973,741	9,158,540,984	-5.10%
2007-08	10,645,974,648	9,750,295,032	7.25%
2006-07	9,926,023,729	9,107,918,547	12.72%
2005-06	8,806,009,783	8,305,434,488	12.90%
2004-05	7,799,653,100	7,373,407,370	10.70%
2003-04	7,045,521,979	6,643,698,145	6.90%
2002-03	6,590,542,785	6,284,551,441	10.04%

## Significant Events and Accomplishments

Through the leadership of the City Council and the City Manager, the city continues to produce amazing accomplishments. The City Council is committed to five strategic goals, which guide the initiatives and activities of each City department. The following is a list of accomplishments during the year for each of the five strategic goals:

### ❖ **Economic Diversity and Prosperity**

#### Community Development Department

- Plan & Project Implementation Division
  - ✓ Continued implementation of the Economic Development Element.
    - Completed East Alisal Corridor Plan that outlines improvements to improve mobility, safety and access for all users.
    - Developed Alisal Vibrancy Plan (AVP) content and draft plan chapters with anticipated adoption by end of fiscal year.
    - Engaged over 700 community stakeholders in AVP development process.
    - Secured three VISTA volunteers to support EDE and AVP implementation by building volunteer capacity and supporting plan and project implementation.
  - ✓ Provided Small Business Support.
    - Provided 193 hours individual technical support to 30 small businesses and 78 hours of business education and training to 84 entrepreneurs through master agreement with El Pájaro Community Development Corporation.
    - Assisted 10 clients with pre loan and loan applications. Three clients received funding (\$350,000, \$10,000, and \$10,000).
    - Sponsored El Dia Del Empresario Latino, a one-day business education workshop that connected businesses and entrepreneurs with education and resources.
  - ✓ Continued implementation of Salinas Downtown Vibrancy Plan.
    - Adopted Adaptive Reuse Ordinance to remove regulatory barriers and incentivize the conversion of underutilized commercial space to residential uses.
- Advanced Planning Division
  - ✓ Continued Vision Salinas (General Plan Update Visioning and Coordination of Major Planning Efforts):
    - Conducted 15 bilingual outreach events and 4 stakeholder meetings as well as a survey to receive public input (with 1,000+ persons engaged) to inform the General Plan Update and preparation of other major planning documents.
    - Refined the Draft Guiding Principles and presented them to the Planning Commission and City Council for acceptance.

- Maintained the Vision Salinas website and increased the number of followers (currently 1,200+ and growing) on the City’s Instagram account to actively engage the public.
    - Coordinated over 20 interdepartmental meetings to ensure an integrated public outreach.
  - ✓ Continued to process the Draft West Area Specific Plan (and DEIR) with approximately 4,300 residential dwelling units, 571,000 sq. ft. of mixed-use commercial, schools, parks and open space land uses:
    - Completed the public review draft of the West Area Specific Plan and the related DEIR and released the documents for the required 45-day public review period.
    - Conducted two public study sessions (before the Planning Commission and the City Council) and presented the proposed project to the City Council Housing Subcommittee.
    - Presented to the Libraries and Community Services Commission and the Traffic and Transportation Commission, which recommended approval to the City Council.
  - ✓ Continued to process the Central Area Specific Plan and (DEIR) with approximately 3,800 units, 200,000 sq. ft. mixed-use commercial, schools, parks and open space.
- Current Planning & Permit Services Divisions
  - ✓ Issued 1,588 permits with a valuation over \$81.6 million in 2018.
  - ✓ Offered counter service from 8:00 am – 5:00 pm, Monday – Friday serving 13,633 customers.
  - ✓ Achieved full cost recovery for the Permit Services Division.
  - ✓ Completed plan and permit reviews and inspections within allotted timeframe, 457 “over-the- counter” reviews, 2,510 total reviews at an average time of 5 calendar days.
  - ✓ Conducted all inspections via electronic devices.
  - ✓ Amended the Zoning Code to facilitate economic development and market rate housing.
  - ✓ Facilitated the construction of Phases 5A (89 single-family houses) and 5B (71 single-family houses) of Monte Bella through seamless plan review and permitting.
  - ✓ Completed the Salinas Travel Center annexation, EIR and Specific Plan process.
- Code Enforcement Division
  - ✓ Addressed 1,611 code complaints with approximately 280 of those cases relating to life and safety and collected over \$170,000 in fines.
  - ✓ Worked with outside counsel to complete three receivership cases involving the demolition of one dilapidated duplex and the full remediation of two houses, enabling the City to obtain full cost recovery for staff time of nearly \$12,000.

- ✓ Initiated work with the National Resource Network to explore the development of a rental housing registration and inspection program.
- ✓ Hired two part-time Code Enforcement Officers to expand capacity for proactive blight and after-hours on weekends and evening weekdays.
- ✓ Assisted with drafting of a blighted property ordinance to increase the Division's ability to enforce and address nuisance properties.
- **Housing & Community Development Division**
  - ✓ Completed the City's Annual Action Plan, Consolidated Annual Performance and Evaluation Report (CAPER) for the City's federal HUD programs (CDBG, HOME, & ESG), and Regional Analysis of Impediments to Fair Housing Choice (AI).
  - ✓ Funded 14 public services agencies (CDBG, ESG, and HCD ESG) to provide critical programming to youth, seniors, and homeless.
  - ✓ Completed the Hikari (Haciendas Phase III) 50-unit housing project, construction started for the Moon Gate Plaza mixed-use development, which will include a total of 90-units in Chinatown, and completion of nine (9) inclusionary ownership units in Monte Bella Phase 5A.
  - ✓ Continued to work with the County of Monterey on operational support for the temporary Warming Shelter at 111 W. Alisal St. and assisted with a HEAP grant application for the construction of a year-round Permanent Shelter at 855 E. Laurel Drive.
  - ✓ Continued to work with Public Works and Library and Community Services Departments on the final phase of Sherwood Recreation Center CDBG capital improvement project.

#### City Attorney's Department

- **Love's Travel Stops.** Supported the completion and the entitlement of the project including annexation of additional land into the City and certification of the environmental impact report.
- **Continued Support for the Future Growth Area.** Continued working with other City department on continued review of the Specific Plans and related documents, including Environmental Impact Reports, as needed. West Area Specific Plan and associated Environmental Impact Report completed and circulated for public review. Set for consideration and approval/certification this calendar year.

#### Police Department

- Used creative staffing allocations to attempt to reduce overtime costs.
- Provided overtime patrols to the Old Town and Chinatown area to enforce quality of life issues, provide for an inviting entertainment district and to manage homeless related issues.



### Public Works Department

- Downtown Vibrancy Plan Implementation:
  - ✓ Coordination with stake holders while preparing construction documents for the Main Street Streetscape Project.
  - ✓ Completion of Downtown Complete Streets Design and Bidding Project for construction in Fall 2019.
- Support development of Salinas Travel Center project.
- Advancing Design of the Boronda Road Congestion Relief Project (future growth area).
- Technical Support for the Economic Development Element and West Area Specific Plan approval process.
- Provide engineering and street maintenance support for various City special events
- Complete Design and Construction for Freight Building remodel at Train Station to lease to Welcome Center.
- Complete Design for Sanitary and Storm line installation for Lincoln Ave Extension into the Train Station (ITS).
- Complete Vibrancy plan and conceptual Design for the Williams Road Improvements.
- Continuing work to develop sustainable parking enterprises which help support the city's economic sectors.

### Assessments and Maintenance Districts

- Met with various district groups throughout the year to address common concerns.
- Responded to citizen inquires and attended property owner meetings.
- Kept expenses within budget and below the anticipated revenues to insure adequate reserves.

### Library and Community Services

- Provided community service opportunities for youth and adults to strengthen skill development and workforce readiness. Residents performed nearly 31,000 volunteer service hours.
- Provided adult learner instruction to 499 students (including computer literacy, basic literacy or high school equivalency). More than 130 adults passed part or all of their GED because of the Library.
- The Youth Leadership Academy launched its 6th year in March 2019. The job readiness and life skills preparedness program is serving 22 high school aged students and will result in 22 internship placements for the Summer of 2019.
- More than 700 children recorded reading for 15 days or more over the summer and attendance for the Summer Reading preprogram was 3,400. The goal was to encourage reading and reduce and/or reverse the summer slide (a well-documented phenomenon that affects many students during the summer months and reduces grade level readiness).

- Celebrated second year anniversary of successful partnership and teen programming with the Digital NEST. Digital Nest programming supports classes at the John Steinbeck and Cesar Chavez Libraries.
- The Library connected over 3,000 kindergarteners to library books with its Kindermobile (dedicated Bookmobile for kindergartners), reaching nearly every public-school kindergartner once a month for the entire school year.

#### Enterprise Operations

- Provided economic role and benefit of the airport for the Salinas Economic Development Element.
- Provide parking services in support of the Downtown Vibrancy Plan.
- Provide parking support for other commercial areas in Salinas.
- Develop parking strategies in support of encouraging housing development in downtown.

### ❖ **Safe, Livable Community**

#### Police Department

- Established effective communications strategy with the homeless in Chinatown.
- Created the Homeless Outreach Team and assigned a full-time officer to the team.
- Continued to refine shooting review process to more effectively use limited resources and involve other allied agencies.
- Supported City yard personnel in ongoing cleanups of homeless encampments.
- Collaborated with Federal Law Enforcement partners targeting violent criminals and fugitives in Salinas and surrounding areas.

#### Fire Department

##### ➤ Grants

**SAFER** - The City received a SAFER Grant with a total value of \$2,269,314. This will fund six firefighter positions for three years starting February 2018. Personnel savings to the city after matching funds are contributed is \$1,399,409. The six firefighters funded by the grant are currently in the recruit training academy and are expected to graduate and be on the line July 2019.

**Assistance to Firefighters Grant (AFG)** - The fire department was awarded this Assistance to Firefighters grant in the amount of \$500,000. It is a regional grant with the Monterey Fire Department and provides funding to send 3 firefighters from the Salinas Fire Department through paramedic training. The grant provides funding for all tuition and personnel backfill costs.

**Western Fire Chiefs Association Data Lab Grant** – The fire department was selected to receive this grant to implement a real-time data analytics platform to be used to

constantly evaluate the effectiveness and efficient deployment of resources. This will allow for planning and decision making based upon up-to-the-minute response data. The grant provides \$27,500 for the costs associated with the implementation of the platform.

- **Firefighter Academies** - The Fire Department recruit fire academy started in March 2019 with 8 recruits, three of which are paramedics. These new recruits will graduate and receive their station assignments effective July 16, 2019. The fire department is actively recruiting additional firefighters and paramedics with a focus on a more diversified hiring model. We are entering the 2019-2020 FY with several firefighter openings that we are working to fill as rapidly as possible. We are also seeking collaborative training opportunities with other agencies to reduce fiscal impacts as highlighted in the Salinas Plan.
- **Haz/Mat Response Program** - the Salinas Fire Department HazMat Team has been certified as a Type I hazardous materials team by the State of California. This enables the team to respond and mitigate both accidental and intentional releases of hazardous materials. The team is available as a statewide asset if needed for these types of emergencies. The Fire Department also completed an agreement with San Benito County to be their contracted HazMat Response Team. Establishing this agreement positions us as a regional asset to open more grant opportunities for sustaining this critical program. We continue in our agreement with Monterey County for HazMat Response. This agreement brings in approximately \$150,000 annually to fund the personnel costs associated with the team.
- **Promotional Exams** –The Fire Department promoted the following personnel in the 18/19 Budget: (2) fire captains, and two (2) fire engineers. FY 19/20 will see additional promotional processes for the positions of Deputy Fire Chief, Battalion Chief, Captain, and Engineer.
- **Apparatus Purchases** –The replacement engine for Fire Station 4 on Williams Rd. was placed into service as well as (3) utility pickup trucks have well exceeded their useful life and reliability for the department’s mission.
- **Fire Prevention Division** – This Division was able to roll-out an updated fee ordinance and automated billing and collection program to help improve compliance with over 600 annual false alarm responses, and greatly improve the consistency in false alarm cost recovery. In addition, the Division has actively participated in joint inspection efforts by the Office of the City Attorney and Code Enforcement to reduce hazards posed by abandoned structures throughout the City.

The Fire Prevention Division was able staff all vacant full-time positions as well as 2 of 3 part-time inspector aide positions and purchase three additional vehicles. The Prevention Division managed to complete over 2000 inspections and over 600 plan reviews and has established a business inspection program with new part-time staff positions classified as Fire Prevention Aides.

### City Attorney's Department

- **Continue support of development of new Public Safety Headquarters and El Gabilan Library.** Supported primarily the Public Works and Library and Community Services Departments on agreements and related documents to begin construction of these two projects.
- **Continued expansion of Code Enforcement Litigation.** Continued support of Code Enforcement staff and assistance with outside counsel on commencement and resolution of Receivership litigation and other code enforcement efforts.
- **Ordinance Adoption.** Completed blighted properties ordinance and unruly gathering ordinances for Council adoption. Presented a revised noise ordinance for Council adoption. Ordinance regulating parking of over-sized vehicles presented to City Council and adopted by City Council.

### Library and Community Services

- Implemented a weekly Saturday Night Teen Program at five locations logging over 2,016 visits and 661 unduplicated participants in order to reduce violence and provide positive alternatives for youth.
- Over 275,000 residents visited recreation centers and 3,600 youth ages 5-18 participated in various sports programs.
- Conducted 7 community clean ups and issued 98 special event permits.
- The Library's Youth Services division continues to expand programming to offer programs seven days a week.
- Implemented the Youth and Government Institute with 28 High School youth participants.
- Implemented the second year of the Building Strong Neighborhood Meeting Series connecting residents to services provided by the Salinas Police Department, Community Development and Code Enforcement and Public Works.
- Earned a \$500,000 California Violence Intervention and Prevention (CAL VIP) Grant from the Board of State and Community Corrections.
- The first annual Salinas See Our Youth (SOY) Summit celebrating youth leadership across the city drew over 100 high school aged students. The Summit was youth designed and led.
- Continued implementation of the Street Outreach Intervention program providing mentorship and safe opportunities to over 50 gang impacted youth most at risk of becoming a victim or a perpetrator of violence.

### Public Works Department

- Continuing work with Monterey County Health Department to develop Traffic Safety education programs.
- Continued homeless encampment cleanups, and responded to health concerns related to the spread of Hepatitis A.
- Initiated a re-forestation program following the storms of 2017.

- Completed 95% Design of East Laurel Drive Pedestrian Improvements.
- Complete design and begin construction of Old Muni Pool phase 3.
- Complete 95% design on the Bardin Road SRTS Improvements.
- Completed the E Laurel Drive/Saint Edwards Traffic Signal.
- Completed design of the Alvin Drive Safe Routes to School Project for construction in Fall 2019.
- Completed the North Sanborn Road Safety Improvement Project (Fall 2018).
- Completed the East Market Street Safe Routes to School Project.
- Working on design of 5 new traffic signals and a mini roundabout for construction in 2019.
- Constructed 2 of the 4 Priority Traffic Calming Projects and currently working with the communities on remaining two locations.

#### Assessments and Maintenance Districts

- Removed graffiti within 24-hours; removed homeless encampments monthly.
- Removed overgrowth from creek beds reducing impacts from potential flooding and wildfires.
- Responded to concerns related to traffic and security as soon as possible.

#### Enterprise Operations

- Hosted 2018 California International Airshow.
- Opened new Airport Restaurant – the Flying Artichoke.
- Provide Parking enforcement support for Code enforcement activities.
- Provide Parking enforcement support for traffic safety at school locations.

### ❖ **Effective, Sustainable Government**

#### Administration Department

- Continued dialogue with City leaders, site selectors and major business corporations in preparation and planning for the 4th annual Forbes AgTech Summit sponsored by the City.
- Continued Council and community engagement regarding City services, fiscal management, and implementation of the strategic plan goals and objectives for FY 2017-19.
- Continue to work with local service providers and County officials to mitigate homeless encampments, construction of a permanent shelter, and solidify housing and commercial development in the Chinatown area.
- Continued oversight of the Economic Development Element Plan and the integration of the Housing element, Downtown Vibrancy, Chinatown Vibrancy, and the Alisal Vibrancy to the General Plan.

- Continues to lead the efforts between the City and County animal shelter consolidated services.
- Participating in multijurisdictional efforts toward the development of clean energy electricity generation.
- Managed and implemented SalinasConnect (QAlert) service request management system city-wide.
- Ongoing management of the City Council, Measure E, and Measure G agenda process.
- Continue to inventory and destroyed City records pursuant to the Records Retention Policy; and is in the process of updating the City's record retention schedule and policy.
- Continues to process Republic Services low-income senior discounts.
- Human Resources Division successfully submitted the 2018 Affordable Care Act reporting to the Internal Revenue Services.
- Human Resources conducted over 60 recruitments to include one executive level recruitment, processed over 1,672 applications and processed approximately 34 new regular hires and 50 new temporary hires.
- Human Resources partnered with Community Hospital of the Monterey Peninsula and coordinated biometric health studies for eligible employees as part of a growing Health and Wellness Program.
- Human Resources coordinated the Employee Health & Wellness Fair attended by more than 40 vendors.
- Human Resources processed over 80 health enrollments and/or changes and respective COBRA notifications.
- Human Resources transitioned approximately 85 IAFF members to CalPERS medical pursuant to the current Memorandum of Understanding Agreement.
- Human Resources initiated the implementation of the NEOGOV applicant tracking system.

#### City Attorney's Department

- **Employee Relations.** Continued working with other City departments to resolve labor relations matters. Assisted with labor negotiations. Defended PERB unfair practice charges and any litigation. Responded to request for information. Directed investigations and advised re grievances and meet/confer matters.
- **Personnel Policies.** Ensured legal compliance with employment laws to prevent liability: continue work on personnel policy updates; assisted with review and revision of department policies; continued to advise on employment situations; investigated employee complaints.
- **Municipal Code Update.** Continued work on a comprehensive review and update of the Municipal Code to eliminate outdated or unnecessary provisions to improve the efficiency of the City's internal operations.

- **Insurance Joint Powers Agency.** Reviewed and improved the City’s insurance coverages through the ACCEL joint powers authority; improved the City’s insurance coverages with better policies.
- **Workers Compensation.** Continued management of the City’s Workers Compensation program with resolution of cases through compromise and release in order to bring down the City’s long-term liability.

### Finance Department

- Strategically and collaboratively worked with departments and City Manager to balance the FY 2019-20 budget.
- Successfully transitioned succession planning for three levels of staffing including Assistant Finance Director, or retired, Accounting Manager, and Senior Accountant.
- Lead RFP, selection and managed Parks Impact Fee Study.
- Coordinated equipment lease financing for approximately \$900,000 in urban forestry equipment and \$2.5 million in Police and Fire Motorola radios.
- Coordinated Monte Bella CFD Financing.
- Coordinated upgrade of TRAKiT to version 9, begin conversion of Business Licenses into TRAKiT and coordinated implementation of GIS module of TRAKiT.
- Improved written procedures of the Revenue Division.
- Streamlined Grant management procedures.
- Implemented new CIP budgeting system.
- Conducted and completed TOT audits of all motels and hotels.
- Achieved cost reductions by consolidating actuarial services and issuing RFP.
- Lead economic incentive agreement negotiations with the Salinas Travel Center.
- Supported SPOA .and PMA labor negotiations with financial costing and fiscal updates
- Participated in finalizing and implementing the Salinas Plan including 10-year forecast model.
- Ongoing replacement of aging equipment in the Data Center and around the City.
- Working on upcoming fiber deployment to connect City Hall and the PD, along with bringing to the City additional lower-cost options for connecting City Hall to the internet. This is the first phase of the project.
- Continuing the success of using no full-time contractors for IT support and developing in-house employees to be better cross-trained for future growth.
- Adding additional Wi-Fi City-wide where needed and upgrading the existing AT&T leased fiber to a newer circuit so more City facilities will connect to the network and the internet.
- Coordinated CRISI and BUILD grant applications for the freight rail terminal project.

- Closed on the \$33 million Measure X bond issue financing and coordinated deployment of proceeds on road projects with Public Works and prepared MOE and annual report.
- Continue to manage, facilitate and support the Measure E and G Committee and the Finance Committee.
- Completed the annual financial statements and audit with a clean audit opinion.

#### Police Department

- Re-organized the department to include:
  - ✓ Organization of all civilian staff under a civilian administrator (Police Services Administrator).
  - ✓ Re-organized the investigation bureau by reassigning cases based on areas of expertise.
- Institutionalized Body Worn Cameras in patrol personnel to enhance the Department's transparency and trust within the community.
- Continued the implementation of the Collaborative Reform Program with the Department of Justice.
- Continued to implement the community policing concept to increase communication with the community.

#### Public Works Department

- Developing Sustainable Citywide Parking Management Program.
  - ✓ Created Parking Enterprises to better manage parking programs.
  - ✓ Demonstrated successful implementation of Parking Enforcement Enterprise; improving services while continuing to cover costs at the same time supporting the City's economic and safety objectives.
  - ✓ Adjusted rates in the Downtown Parking District for the first time in a decade to reduce dependence of the enterprise on the City General Fund.
- Utilized Geographic Information Systems (GIS) for spatial analysis. Spatial analysis lets staff evaluate suitability and capability, estimate, predict, interpret and understand data. This capability is delivered to all City Departments to provide new perspectives to data driven decision-making.
- Implemented innovative and emerging technology solutions to increase efficiency and effectiveness of City services.
- Coordination of EV stations transformer for the ITC center.
- Embarked upon the development of a Community-Based Public/Private Partnership (P3) process to potentially fund green infrastructure projects throughout the City.
- Developing Proposition 26 fees to fund the costs of NPDES inspection and plan review activities.
- Continuing Implementation of the City Traffic Fee Ordinance.



### Assessments and Maintenance Districts

- Managed district budgets with positive fund balances at year-end and built reserves.
- Implemented water conservation techniques in compliance with State water reduction mandates.

### Library and Community Services

- Successful merge of the Community Safety Division into the Library and Community Services Department from the Administration Department with the goal of streamlining youth services and delivering more cost-effective services.
- Continued to explore methods where Library and Recreation services can collaborate to provide increased programming opportunities.
- Introduced self check-out and e-commerce at library branches.
- The Library introduced Brainfuse, an online tutoring service that provides students with homework help. This service was rolled out with the Student Success Initiative, a new Library pilot program aimed at providing a higher level of support to public schools. The service provides a seamless connection to the Library's digital resources and reaches over 3,000 students.
- Implemented web-based recreation software to allow residents to register for youth sports programs on-line and allow for credit card payments.

### Enterprise Operations

- Continued support of the Airport Commission.
- Updated Airport Rates and Fees Schedule.
- Continued development of sustainable City Parking programs.
- Creation of the Parking Enterprise.
- Successful development of sustainable Parking enforcement program that provide city services and covers cost.
- Adjusted rates of Downtown Parking enterprise for next 2 fiscal years with the goal for enterprise to self-sustaining.

## ❖ **Excellent Infrastructure**

### City Attorney's Department

- **Continued Support of Police Headquarters and El Gabilan Library Projects.** Supported primarily the Public Works and Library and Community Services Departments on agreements and related documents to begin construction of these two projects.

### Library and Community Services

- Completed Phase II and initiated Phase III of the Old Muni Pool Retrofit Project which will allow for additional venues for recreation and meeting space.

- Demolished the El Gabilan Library and celebrated the ground breaking for the new El Gabilan Library.
- Raised nearly \$400,000 from private donors and foundations in order to support new construction enhancements to the new El Gabilan Library.
- Opened the Library Connection @ Northridge Mall. This satellite location provides awareness of library services and enlists new library members. On average, the Library Connection signs up over 450 new card holders every month and circulates over 2,400 items per month.
- Continued work on a Master Plan for parks, recreation and library facilities with the intention of bringing the plan to the City Council for adoption in the spring of 2019.
- Completed the Sherwood Tennis Center tennis court refurbishment project.
- Initiated a Public Art Master Planning process.

#### Public Works Department

- Completed the Pavement Management System analysis.
- Bonded Measure X funds for street improvements.
- Completed construction on the St Edwards Traffic Signal.
- Designing Boronda Road Improvements which provides increase capacity to four lanes and 5 new roundabouts at key intersections.
- Begin construction of 2018 Slurry Seal project City Wide.
- Complete 80% design of San Juan Grade Road rehabilitation.
- Complete 90% design of Monte Bella Detention Basin Desiltation and Repair.
- Complete 80% design of High Priority Sanitary Sewer and manhole repairs.
- Complete the On-Call Job Order Contract for Sidewalk improvements.
- Complete Weatherproofing Women's Club Building.
- Continuing Development of City's Active Transportation Plan.
- Completed East Alisal Corridor Plan.
- Secured grant funding to stretch transportation dollars.

#### Assessments and Maintenance Districts

- Implemented traffic calming for Monte Bella.
- Painted curbs and replaced signs as needed.

#### Enterprise Operations

- Completed Airport Layout Plan and Narrative Report.
- Completed preventative maintenance inspection on all City owned Aircraft Hangars.
- Completed Airport Pavement Maintenance and Management Program.

## ❖ **Quality of Life**

### Police Department

- Established the Special Operations Unit and utilized volunteers to increase Neighborhood Watch presentations.
- Worked with community stakeholders to balance the property owner's rights with the needs of the homeless community.
- Created the Salinas Violence Suppression Task Force in cooperation with federal agencies to reduce the violent crimes afflicting Salinas.

### City Attorney's Department

- **Arts Ordinance/Public Art Program.** Presented for adoption by the City Council an ordinance implementing a public arts program and associated policies and procedures.

### Public Works Department

- Completed the pre-development work for both the Salinas Public Safety Services Headquarters and new El Gabilan Library.
- Traffic Calming Improvements at Curtis Street, Riker Street and Ambrose Drive neighborhoods. Currently constructing traffic calming projects at Chaparral Street and working on Traffic Calming Plan for Cherokee Street neighborhood.
- Repair the Tennis courts at Sherwood Park.
- Plant trees at Beacon Hill and Constitution.

### Library and Community Services

- Provided over 11,182 meals to youth and seniors at seven locations through the Summer Lunch/Snack Program and Firehouse Senior Program.
- Continued the Library's Paletero Program where Library staff walk high need areas in Salinas with an ice cream cart, but instead of ice cream, the library delivers a mobile Wi-Fi station, books and services.
- The department played a key leadership and planning role in the decentralization of National Night Out Salinas 2018 resulting in over community led 15 block parties simultaneously all over the city celebrating community and police partnerships.
- Expanded Library Adult Programming to include more health and wellness and workforce development programs.
- The library introduced Kanopy, an online library of top rated movies and documentaries.
- Expanded programming at the Firehouse Recreation Center to include recreational fee-based programming.

## **Labor Relations**

All employee groups have approved Memorandum of Understandings (MOUs) with the City. SPOA's MOU became effective September 23, 2019 after going through the imposition process. Negotiations will start again during the next year. Police Manager's Association (PMA)'s MOU expires December 31, 2021. Fire Supervisors Association (FSA) and the International Association of Firefighters (IAFF) MOU's expire December 31, 2019. All of the non-safety groups have contracts that expire December 31, 2019 or shortly thereafter.

## **Acknowledgements**

The preparation of this Annual Financial Report could not have been accomplished without the professional, efficient, and dedicated service of the staff of the Finance Department. In particular, I would like to acknowledge and give a very special thanks to Assistant Finance Director, Elizabeth Mariano and Accounting Manager, Mary Lagasca, who both are dedicated to the sound fiscal management of the City. I also would like to express my appreciation to our professional senior accountants: Alma Gonzales-Delgado, Juan Hernandez, and Abe Pedroza. The entire Finance staff deserves a special word of thanks for another year of hard work and quality performance. We also wish to thank our auditors, McGilloway, Ray, Brown & Kaufman, Accountants & Consultants, for their diligence, cooperation and assistance.

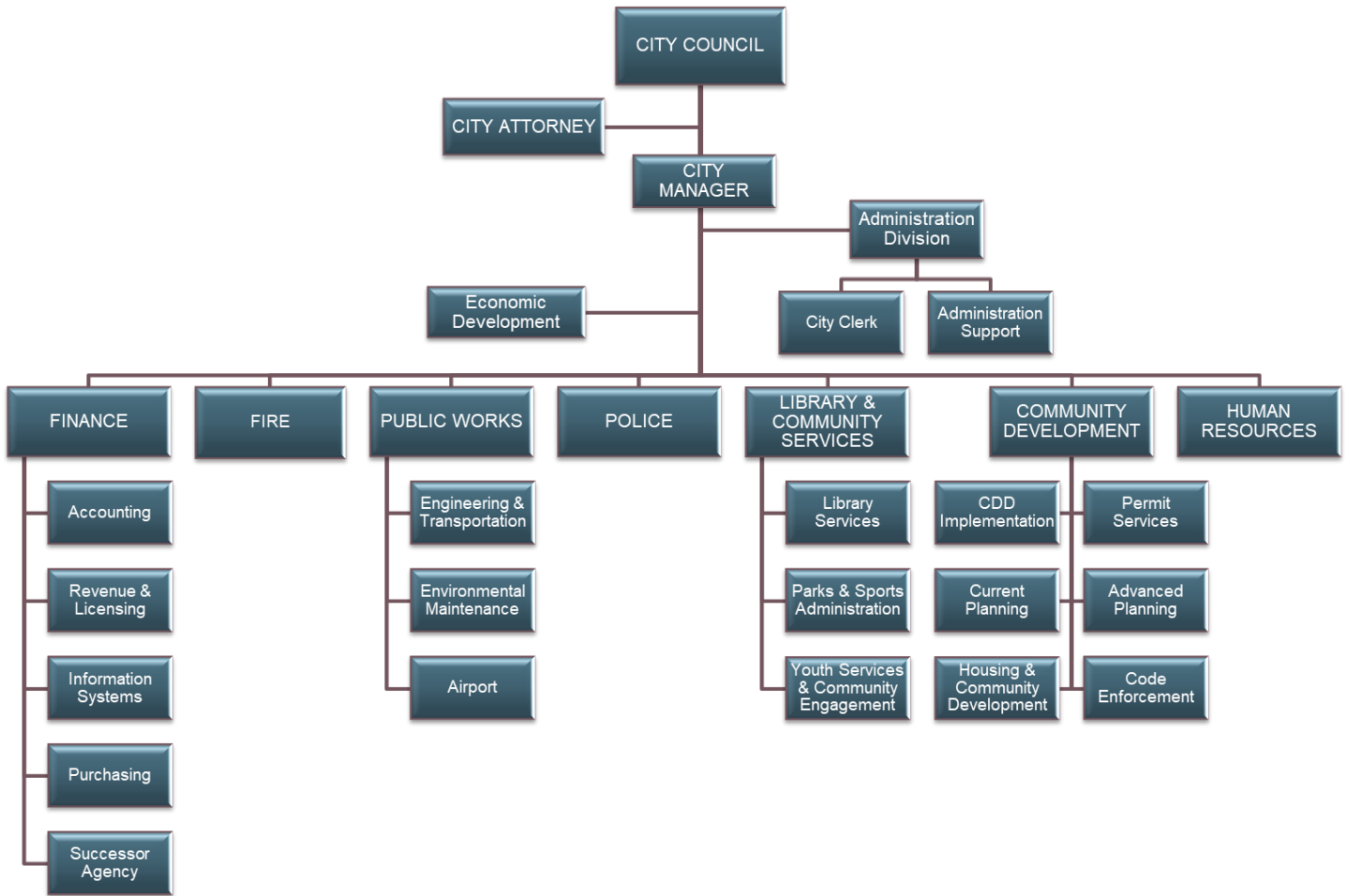
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible, sustainable and progressive manner.

Respectfully submitted,



Matt N. Pressey, CPA  
Finance Director

# City of Salinas Organization Chart



# City of Salinas

## List of Principal Officials



### **Joe Gunter**

Mayor

### **Scott Davis**

Councilmember  
District 1

### **Gloria De La Rosa**

Councilmember  
District 4

### **Tony Barrera**

Councilmember  
District 2

### **Christie Cromeenes**

Councilmember  
District 5

### **Steve McShane**

Councilmember  
District 3

### **John "Tony" Villegas**

Councilmember  
District 6

### **Ray E. Corpuz, Jr.**

City Manager

### **Christopher A. Callihan**

City Attorney

### **Jim Pia**

Assistant City Manager

### **David Jacobs**

Public Works Director

### **Kristan Lundquist**

Library and Community  
Services Director

### **Megan Hunter**

Community  
Development Director

### **Adele Fresé**

Chief of Police

### **Pablo Barreto**

Fire Chief

### **Matt N. Pressey, CPA**

Finance Director



McGilloway | Ray  
Brown | Kaufman  
ACCOUNTANTS AND CONSULTANTS

2511 Garden Road  
Suite A180  
Monterey, CA 93940-5301  
831-373-3337  
Fax 831-373-3437

379 West Market Street  
Salinas, CA 93901  
831-424-2737  
Fax 831-424-7936

3478 Buskirk Avenue  
Suite A1000  
Pleasant Hill, CA 94523  
831-373-3337  
Fax 831-373-3437

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Salinas, California (the City), as of and for the 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

---

Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Jesus Montemayor, CPA | Smriti Shrestha, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Deanna Thomas, CPA | Sukhdev Singh, CPA

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Implementation of New Accounting Standard*

The City adopted GASB Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2019. GASB Statement No.84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The adoption of this statement increased net position in the government-wide financial statements and in fiduciary net position as of July 1, 2018 as disclosed in Note 21. Our opinion is not modified with respect to this matter.

### *Correction of an Error*

As further discussed in Note 21 to the accompanying financial statements, the prior period net position/fund balance for the governmental activities and business-type activities was restated. 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, budgetary comparison schedules, claims development for internal services funds, employee retirement pension benefits information, and other postemployment benefits information (collectively, the required supplementary information), as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and the General, Measure E & Measure G Funds combining statements, as listed in the table of content, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor funds and the General, Measure E & Measure G Funds combining statements are the responsibility of management and was 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 and the General, Measure E & Measure G Funds combining statements financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Salinas, California's internal control over financial reporting and compliance.



McGilloway, Ray, Brown & Kaufman  
Salinas, California  
December 12, 2019



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CITY OF SALINAS  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2019

This analysis of the City of Salinas (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to the financial statements.

**A. FINANCIAL HIGHLIGHTS**

- At June 30, 2019, the City's net position (excess of assets over liabilities) was \$187.6 million. Of this amount, \$300.5 million are invested in capital assets and restricted assets, which is offset by a deficit of \$112.9 million classified as unrestricted assets.
- During the fiscal year ended June 30, 2019, the City's total net position increased by \$17.7 million excluding a prior period adjustment of \$4.8 million. This change primarily results from improved investment earnings, sales tax, Measure G transactions and use tax, and property tax.
- During the fiscal year fund balances increased \$59.4 million to \$138.1 million for governmental funds, of which \$128.6 million is either nonspendable, restricted, committed, or assigned and thus unavailable.
- During the fiscal year the General Fund, Measure E, and Measure G fund balance increased \$33.9 million to \$52.3 million of which \$41.9 million is either nonspendable, restricted, committed, or assigned. Unassigned General Fund, Measure E & Measure G fund balance was \$10.3 million, which mainly represents the City's operating reserves of \$9.6 million.
- The City's total liabilities increased by \$41.9 million during the current fiscal year. Governmental Activities increased by \$42.2 million and Business-type Activities decreased \$0.3 million. The long-term debt increased \$35.9 million as a result of increases in Certificates of Participation of \$37.5 million for Total Road Improvement Program (TRIP) 2018B, \$2.7 million for Community Financing District Monte Bella, \$4.4 million in unamortized bond premiums for the two previously mentioned items, a Capital Lease of \$3.5 million for Public Safety Radios and Public Works equipment, coupled with a decrease in Net Pension Liability of \$7.0 million, and a decrease of \$5.2 million from regularly scheduled debt service repayments in both Governmental and Business-type Activities.
- The City's capital assets, net of depreciation, increased \$8.1 million to \$399.5 million.

**B. OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Basic Financial Statements.

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable.

This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

CITY OF SALINAS  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2019

**Government-Wide Financial Statements**

The Government-Wide Financial Statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The *Statement of Net Position* and the *Statement of Activities and Changes in Net Position* report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities and Changes in Net Position* presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

In the Statement of Net Position and the Statement of Activities and Changes in Net Position, we separate the City activities as follows:

*Governmental Activities*—All of the City's basic services are reported in this category, including general government, public safety, community development, public works, recreation, and library. Property taxes, sales taxes, user fees, interest income, franchise fees, state grants and federal grants finance these activities. The City's insurance programs (health, worker's compensation, liability and property damage) are accounted for in internal service funds, but are reported as part of governmental activities since these programs are used primarily for governmental activities.

*Business-Type Activities*—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Industrial Wastewater System, Airport, Golf Courses, Sanitary Sewer, Hitchcock Water Utility, Storm Sewer, Permit Service, Landfill and Parking District activities are reported as business-type activities.

CITY OF SALINAS  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2019

**Fund Financial Statements**

The Fund Financial Statements provide detailed information about the City's major funds — not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, proprietary and fiduciary. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary funds are agency funds, pension trust fund and private purpose trust funds, which only report assets and liabilities and do not have a measurement focus.

Governmental Funds - The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of expendable resources as well as balances of expendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

In order to better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Funds Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation is provided for the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances to facilitate this comparison. The major governmental funds include the General, Measure E and Measure G Funds, Development Fees Special Revenue Fund, and the Special Construction Assistance Special Revenue Fund, which are reported in detail in the Governmental Fund Financial Statements. All other funds are shown in the aggregate as other non-major governmental funds.

Individual fund data for other non-major governmental funds is provided in the form of supplementary information elsewhere in the report.

Proprietary Funds - The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses enterprise funds to account for its Airport, Industrial Wastewater System, Golf Courses, Sanitary Sewer, Parking, Hitchcock Water Well Utility, Storm Sewer, Permit Services and Landfill activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its general city insurance operations. Because these services predominantly benefit the governmental rather than business-type activities, they have been included within governmental activities in the Government-Wide Financial Statements.

CITY OF SALINAS  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2019

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. All enterprise funds are presented in detail as major enterprise funds. 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 supplementary information elsewhere in the report.

*Fiduciary Funds* - The City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the resources of these funds are not available to support the City's own programs. The City is responsible for ensuring that these funds are used for their intended purpose.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

***Required Supplementary Information***

In addition to the basic financial statements, this report also presents certain Required Supplementary Information including the City's budgetary comparison schedules for the General, Measure E and Measure G Funds and the Development Fees major special revenue fund, and information concerning the progress in funding its obligation to provide pension benefits to its employees.

***Other Supplementary Information***

Combining statements for the other non-major governmental funds, Internal Service Funds, Fiduciary Funds and General, Measure E and Measure G Funds are presented immediately following the Required Supplementary Information as supplementary information.

**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Management Discussion and Analysis (MD&A) includes comparative data for analysis.

***Statement of Net Position***

Net position is a good indicator of the City's financial position. During this fiscal year, the net position of the City increased \$22.5 million (13.6%) over the prior year from \$165.1 to \$187.6 million.

At June 30, 2019, the largest portion of net position (112%) consists of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related outstanding debt used for such acquisition. The City uses these capital assets to provide services to residents. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Debt service payments are funded from other resources available to the City.

**CITY OF SALINAS**  
**Management's Discussion and Analysis**  
**Fiscal Year ended June 30, 2019**

The following is the Condensed Statement of Net Position for the fiscal years ended June 30, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total		Percent of Total
	2019	2018	2019	2018	2019	2018	
<b>Assets:</b>							
Current assets	\$ 167,585,247	\$ 98,156,161	\$ 19,321,587	\$ 17,708,341	\$ 186,906,834	\$ 115,864,502	30.2 %
Other assets	30,136,535	27,175,325	2,086,173	2,061,035	32,222,708	29,236,360	5.2 %
Capital assets, net	281,355,416	269,661,526	118,191,462	121,813,303	399,546,878	391,474,829	64.6 %
<b>Total assets</b>	<b>479,077,198</b>	<b>394,993,012</b>	<b>139,599,222</b>	<b>141,582,679</b>	<b>618,676,420</b>	<b>536,575,691</b>	<b>100.0 %</b>
<b>Deferred outflows of resources</b>							
Related to pensions	49,407,359	60,675,953	1,442,803	1,311,507	50,850,162	61,987,460	98.9 %
Reacquisition costs	272,202	306,223	277,648	317,438	549,850	623,661	1.1 %
<b>Total deferred outflows of resources</b>	<b>49,679,561</b>	<b>60,982,176</b>	<b>1,720,451</b>	<b>1,628,945</b>	<b>51,400,012</b>	<b>62,611,121</b>	<b>100.0 %</b>
<b>Liabilities:</b>							
Current liabilities	10,159,673	11,769,309	2,418,566	2,432,182	12,578,239	14,201,491	2.7 %
Other liabilities	36,746,797	29,668,186	6,085,000	5,460,000	42,831,797	35,128,186	9.1 %
LTD - due in one year	7,076,666	5,401,725	2,072,140	1,992,240	9,148,806	7,393,965	2.0 %
Long-term liabilities	362,277,251	327,189,465	41,667,918	42,642,522	403,945,169	369,831,987	86.2 %
<b>Total liabilities</b>	<b>416,260,387</b>	<b>374,028,685</b>	<b>52,243,624</b>	<b>52,526,944</b>	<b>468,504,011</b>	<b>426,555,629</b>	<b>100.0 %</b>
<b>Deferred inflows of resources</b>							
Related to pensions	13,641,259	7,164,607	318,117	315,025	13,959,376	7,479,632	99.9 %
Loss on refunding of debt	20,650	24,042	-	-	20,650	24,042	0.1 %
<b>Total deferred inflows of resources</b>	<b>13,661,909</b>	<b>7,188,649</b>	<b>318,117</b>	<b>315,025</b>	<b>13,980,026</b>	<b>7,503,674</b>	<b>0.1 %</b>
<b>Net Position:</b>							
Net investment in Capital Assets	132,079,740	165,269,307	78,755,026	80,551,269	210,834,766	245,820,576	112.4 %
Restricted	87,701,244	43,285,333	1,965,948	1,932,223	89,667,192	45,217,556	47.8 %
Unrestricted	(120,946,521)	(133,796,786)	8,036,958	7,886,163	(112,909,563)	(125,910,623)	(60.2)%
<b>Total Net Position</b>	<b>\$ 98,834,463</b>	<b>\$ 74,757,854</b>	<b>\$ 88,757,932</b>	<b>\$ 90,369,655</b>	<b>\$ 187,592,395</b>	<b>\$ 165,127,509</b>	<b>100.0 %</b>

**CITY OF SALINAS**  
**Management's Discussion and Analysis**  
**Fiscal Year ended June 30, 2019**

***Statement of Activities***

The following is the Condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2019 and 2018:

	<b>City of Salinas</b>					
	<b>Condensed Statement of Activities and Changes in Net Position</b>					
	<b>For the Fiscal Year Ended June 30, 2019</b>					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 8,304,238	\$ 6,507,589	\$ 13,220,386	\$ 11,888,945	\$ 21,524,624	\$ 18,396,534
Operating Grants & Contributions	17,512,104	21,825,112	35,761	23,552	17,547,865	21,848,664
Capital Grants & Contributions	7,132,422	5,331,524	950,406	623,485	8,082,828	5,955,009
General Revenues:						
Taxes	128,101,942	118,247,128	-	-	128,101,942	118,247,128
Licenses, permits, fines and forfeitures	8,040,739	7,205,531	-	-	8,040,739	7,205,531
Grants & Contributions not Restricted	-	-	-	-	-	-
Unrestricted Investment Earnings	4,487,749	1,044,105	379,511	157,966	4,867,260	1,202,071
Rental income	635,882	608,312	-	-	635,882	608,312
Gain (Loss) on Disposal of Assets	54,930	(270,444)	3,886	(18,843)	58,816	(289,287)
Housing loan repayment from/to Successor Agency	1,308	-	-	-	1,308	-
Miscellaneous	1,155,527	662,979	-	-	1,155,527	662,979
<b>Total Revenues</b>	<b>175,426,841</b>	<b>161,161,836</b>	<b>14,589,950</b>	<b>12,675,105</b>	<b>190,016,791</b>	<b>173,836,941</b>
<b>Expenses</b>						
General Government	20,198,949	37,568,079	2,269,805	2,056,622	22,468,754	39,624,701
Public Safety	92,185,514	74,400,990	-	-	92,185,514	74,400,990
Public Works	26,171,785	29,659,857	17,053,323	14,483,319	43,225,108	44,143,176
Recreation	4,623,328	3,137,839	601,054	742,738	5,224,382	3,880,577
Library	5,453,771	5,091,740	-	-	5,453,771	5,091,740
Interest	3,746,197	1,103,866	-	-	3,746,197	1,103,866
<b>Total Expenses</b>	<b>152,379,544</b>	<b>150,962,371</b>	<b>19,924,182</b>	<b>17,282,679</b>	<b>172,303,726</b>	<b>168,245,050</b>
Increase (decrease) in Net Position before Contributions and Transfers	23,047,297	10,199,465	(5,334,232)	(4,607,574)	17,713,065	5,591,891
Contributions	-	-	-	951,566	-	951,566
Transfers	(3,703,420)	(1,898,829)	3,703,420	1,900,111	-	1,282
	(3,703,420)	(1,898,829)	3,703,420	2,851,677	-	952,848
Increase (decrease) in Net Position	19,343,877	8,300,636	(1,630,812)	(1,755,897)	17,713,065	6,544,739
Net Position - Beginning of Year	74,757,854	74,150,432	90,369,655	93,247,962	165,127,509	167,398,394
Prior Period Adjustment	4,732,732	(7,693,214)	19,089	(1,122,410)	4,751,821	(8,815,624)
Net Position - Beginning of Year as restated	79,490,586	66,457,218	90,388,744	92,125,552	169,879,330	158,582,770
<b>Net Position - Ending</b>	<b>\$ 98,834,463</b>	<b>\$ 74,757,854</b>	<b>\$ 88,757,932</b>	<b>\$ 90,369,655</b>	<b>\$ 187,592,395</b>	<b>\$ 165,127,509</b>

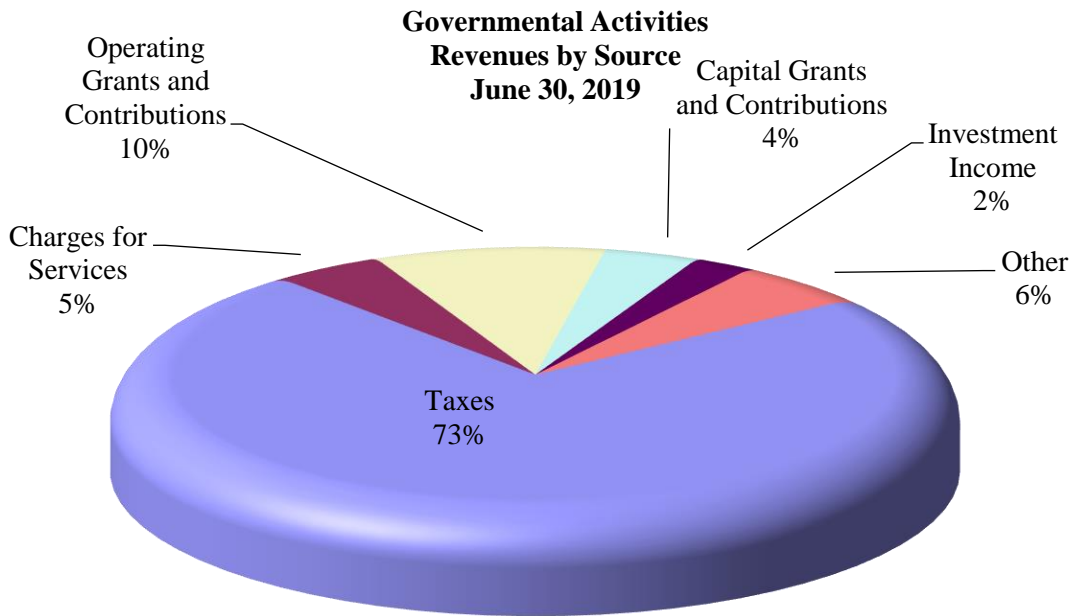
Total revenues increased from the prior year by \$16.2 million, or 9.3% and total expenditures increased by \$4.1 million from prior year, or 2.4%. Further analysis is provided within the governmental and business-type activities sections.



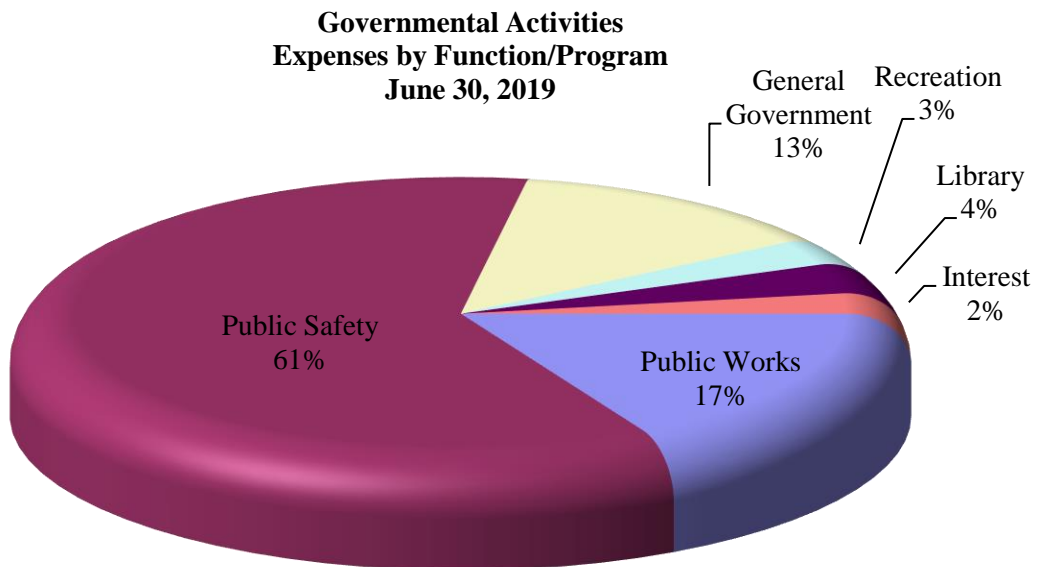
CITY OF SALINAS  
 Management's Discussion and Analysis  
 Fiscal Year ended June 30, 2019

**Governmental Activities**

Governmental activities resources total \$175.4 million. The City's governmental activities increased net position by \$19.3 million. The following charts highlight the sources of revenues and purpose of expenses:



Total expenses for governmental activities, excluding transfers and contributions, were \$152.4 million including interest on long-term debt of \$3.7 million. Total expenditures that were funded by tax revenues, investment income and other general revenues were \$119.4 million.



CITY OF SALINAS  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2019

Functional expenses for the year ended June 30, 2019 were as follows:

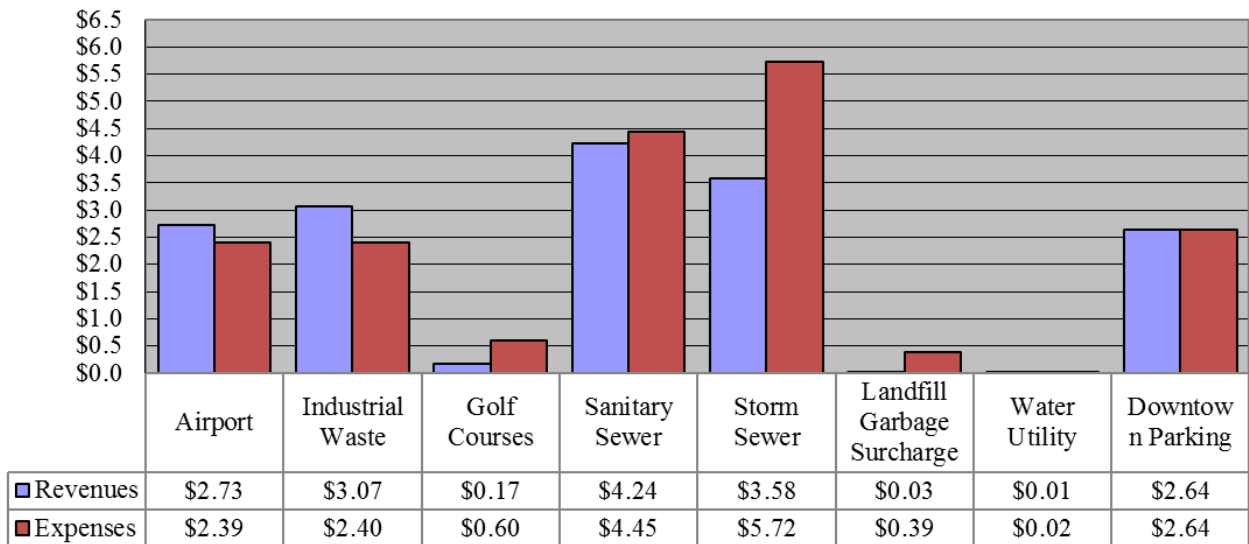
	Total Cost of Services	Percent	Net Cost of Services	Percentage
General government	\$ 20,198,949	13.3 %	\$ (3,892,145)	(3.3)%
Public safety	92,185,514	60.5 %	87,605,823	73.4 %
Public works	26,171,785	17.2 %	22,913,234	19.2 %
Recreation	4,623,328	3.0 %	4,131,531	3.5 %
Library	5,453,771	3.6 %	4,926,139	4.1 %
Interest	3,746,197	2.5 %	3,746,198	3.1 %
<b>Total</b>	<b>\$ 152,379,544</b>	<b>100 %</b>	<b>\$ 119,430,780</b>	<b>100 %</b>

Public safety continues to be the single highest expense for the City followed by public works. Net cost of services, after subtracting fees and grant revenues total \$119.4 million.

***Business-Type Activities***

The City's business-type activities net position was \$88.8 million, a decrease of \$1.6 million from the prior fiscal year. Total revenues for business-type activities were \$14.6 million. The largest program revenues were charges for services of \$13.2 million. Other program revenues included operating/capital grants and contributions of \$1.0 million. Total expenses for the business-type activities were \$19.9 million during FY 2018-19.

**Business -Type Activities  
Revenues, Expenses (in millions)  
June 30, 2019**



CITY OF SALINAS  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2019

**D. FUND FINANCIAL STATEMENT ANALYSIS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds*

The focus of the City's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$138.1 million. Of the total fund balance, \$8.9 million was nonspendable and indicates the resources are nonspendable inventory, loans, notes, land and property held for resale and are not anticipated to be liquidated in the near-term. Of the total fund balance, \$85.0 million was restricted fund balance and indicates the use of resources is constrained by external parties, resource providers, constitutions or enabling legislations. Fund balance of \$15.4 million was restricted for future development, \$6.4 million for maintenance districts, \$11.3 million for street repairs and improvements, \$4.8 million for debt service, \$2.5 million for grants, \$1.1 million for housing, \$40.0 for capital projects, and \$2.1 million for public safety purposes. The remainder of the restrictions in the amount of \$0.9 million is restricted for various purposes as listed in the Fund Balance footnote. Committed fund balance totaled \$7.0 million and are limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. The \$7.0 million committed fund balance is committed for capital projects. Assigned fund balance totaled \$30.7 million and represents informal assignments made by the City. The remaining fund balance of \$6.4 million is unassigned and mainly includes the unassigned fund balance of the General Fund of \$6.6 million, Measure E Fund of \$2.0 million, Measure G Fund of \$1.7 million, which are mainly operating reserves.

The General Fund is the chief operating fund of the City. The General, Measure E and Measure G Funds' fund balance increased by \$18.4 million in FY 2018-19 to \$52.3 million, of which \$6.2 million was nonspendable and indicates the resources are nonspendable inventory and advances and are not anticipated to be liquidated in the near-term. The \$5.0 million committed fund balance is committed for capital projects and is limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. Assigned fund balance totaled \$30.7 million and has been allocated by the City Council for specific capital and operational needs. The remaining fund balance of \$10.3 million is unassigned.

*Proprietary Funds*

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Factors concerning these funds have been addressed in the discussion of Government-Wide Financial Analysis.

CITY OF SALINAS  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2019

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended General, Measure E, and Measure G Fund revenue budget, including transfers in, totaled \$137.4 million and the expenditure budget totaled \$154.4 million including transfers out. Transfers out are budgeted mostly for capital projects and the funds are already on-hand. Transfers out to the Capital Projects Fund will occur over multiple years.

*Significant Appropriations Increases/Decreases*

Appropriations during the year were adjusted upward by \$15.8 million, of which \$13.7 million were related to transfers for capital projects and \$2.1 million in operational changes. Estimated revenue was adjusted upward by \$1.5 million.

**F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS**

***Capital Assets Including Infrastructure***

The following is a summary of the City's capital assets as of June 30, 2019 and 2018:

**City of Salinas' Capital Assets**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 26,141,392	\$ 25,230,652	\$ 3,632,339	\$ 3,632,339	\$ 29,773,731	\$ 28,862,991
Buildings	45,950,880	45,286,961	27,266,967	27,266,967	73,217,847	72,553,928
Improvements	15,766,022	15,720,822	21,808,016	21,130,339	37,574,038	36,851,161
Equipment	39,028,559	32,376,660	8,157,450	7,925,352	47,186,009	40,302,012
Infrastructure	243,208,588	239,494,655	236,689,231	236,689,231	479,897,819	476,183,886
Construction in Progress	130,701,284	120,078,338	8,159,727	6,426,682	138,861,011	126,505,020
	<u>500,796,725</u>	<u>478,188,088</u>	<u>305,713,730</u>	<u>303,070,910</u>	<u>806,510,455</u>	<u>781,258,998</u>
Accumulated Depreciation	<u>(219,441,309)</u>	<u>(208,526,562)</u>	<u>(187,522,268)</u>	<u>(181,257,607)</u>	<u>(406,963,577)</u>	<u>(389,784,169)</u>
	<u>\$ 281,355,416</u>	<u>\$ 269,661,526</u>	<u>\$ 118,191,462</u>	<u>\$ 121,813,303</u>	<u>\$ 399,546,878</u>	<u>\$ 391,474,829</u>

Capital assets, including infrastructure assets of the City, are those assets which are used in the performance of the City's functions. At June 30, 2019, net capital assets of the Governmental Activities totaled \$281.4 million and the net capital assets of the Business-type Activities totaled \$118.2 million. During FY 2002-03, American Appraisal Associates were hired to conduct an inventory and valuation of all the City's capital assets. Finance Department staff maintains and updates the Capital Assets inventory by recording all assets acquired or retired at the end of every fiscal year and performs rotating spot inventories each year. The City has elected to report and depreciate all infrastructures.

Governmental activities acquired \$20.9 million of capital assets during the year. The acquisitions include \$11.1 million in construction in progress, \$3.7 million in infrastructure improvements, and \$4.3 million in machinery.

Overall, Business-type Activities had a net decline in capital assets by \$3.6 million. The City acquired \$2.7 million of capital assets during the year. The acquisitions mainly include \$1.7 million in construction in progress, and \$0.6 million in improvements other than building.

CITY OF SALINAS  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2019

*Long-Term Obligations*

As of June 30, 2019, the City had \$413.1 million in long-term debt.

**City of Salinas' Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Annual Leave	\$ 11,374,966	\$ 11,211,936	\$ 492,458	\$ 480,397	\$ 11,867,424	\$ 11,692,333
Estimated Insurance						
Claims	2,315,674	2,474,609	-	-	2,315,674	2,474,609
New York Life Net						
Pension Obligation	-	-	-	-	-	-
Capital Leases	96,347,881	94,647,219	11,069,787	11,716,319	107,417,668	106,363,538
Loans and Notes	-	-	2,820,000	3,229,000	2,820,000	3,229,000
Revenue Bonds	-	-	15,470,000	15,860,000	15,470,000	15,860,000
Certificates of						
Participation	42,915,000	5,970,000	7,680,000	8,120,000	50,595,000	14,090,000
Assessment District						
Bonds	2,970,000	3,775,000	-	-	2,970,000	3,775,000
CFD - Monte Bella	2,675,000	-	-	-	2,675,000	-
Unamortized Bond						
Premium	4,401,938	-	106,273	116,900	4,508,211	116,900
Unamortized Bond						
Discount	(370,719)	-	-	-	(370,719)	-
Subtotal	162,629,740	118,078,764	37,638,518	39,522,616	200,268,258	157,601,380
Net OPEB Liability	19,047,735	18,840,804	1,147,664	1,135,196	20,195,399	19,976,000
Net Pension Liability	187,676,442	195,671,622	4,953,876	3,976,950	192,630,318	199,648,572
Total outstanding debt	<u>\$ 369,353,917</u>	<u>\$ 332,591,190</u>	<u>\$ 43,740,058</u>	<u>\$ 44,634,762</u>	<u>\$ 413,093,975</u>	<u>\$ 377,225,952</u>

Further details on the City of Salinas' long-term debt can be found in Note 18 to the financial statements.

**G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The FY 2019-20 budget is the second year of a series of significant challenging years ahead. The outlook shows healthy resources, however, the trajectory of forecasted expenditures far outpace the revenue growth. This financial forecast is the same for almost every City in California because of salaries and benefits including the PERS retirement increases where the cost will almost double during the seven-year phase-in. With this understanding of the future, the City has been working hard to implement strategies to address the future challenges, including the, "Salinas Plan". The FY 2019-20 budget is balanced on improved revenue and controlling the main cost drivers of the City. The largest cost driver is salaries. To make it through the next seven years, the City needs to control salaries. Until something else changes, no employee raises are proposed in this budget for next year or the PERS seven-year phase-in period. CalPERS lowered the discount rate in December 2016, which will cost the City \$60.5 million cumulatively over the 7-year phase-in period starting in FY 2018-19 and ending in FY 2024-25, based on the latest actuarial reports from CalPERS.

CITY OF SALINAS  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2019

*The Salinas Plan and Fiscal Sustainability*

The Salinas Plan is a Ten-Year Plan designed to provide the City with a path toward maintaining a long-term balanced budget while preserving City services and addressing the affordable housing crisis. The plan provides 32 recommended initiatives. The 32 recommended initiatives are now in various stages of progress and are described in more detail in the Salinas Plan section of this budget.

*Major Projects and Funding*

Amid challenging deficits, the City continues deploying approximately \$6.5 million of Measure X and SB1 funding for maintaining and improving the City's roads and sidewalks. The City is also finalizing the construction of the long-awaited new Police Services Headquarters and expanded El Gabilan Branch Library, funded with Measure G and E, respectively.

**H. REQUEST FOR INFORMATION**

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Salinas Finance Department, 200 Lincoln Avenue, Salinas, California 93901.

# **BASIC FINANCIAL STATEMENTS**



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**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**



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**CITY OF SALINAS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and investments	\$ 147,567,821	\$ 17,463,649	\$ 165,031,470
Receivables, net of allowance			
Taxes	15,251,110	-	15,251,110
Accounts	436,715	1,771,223	2,207,938
Excess insurance receivable	8,000,000	-	8,000,000
Accrued interest	1,794,269	78,128	1,872,397
Due from outside agencies	7,915,142	-	7,915,142
Due from other funds	1,425,076	(1,425,076)	-
Internal balances	6,085,000	(6,085,000)	-
Inventory	11,019	-	11,019
Restricted cash and investments	856,472	1,965,948	2,822,420
Prepaid bond insurance	-	128,812	128,812
Assessments receivable	5,645,000	-	5,645,000
Loan receivables, net of allowance	226,605	-	226,605
Land and properties held for resale	2,507,553	-	2,507,553
Capital assets			
Land and nondepreciable assets	156,842,676	11,792,066	168,634,742
Depreciable assets, net of accumulated depreciation	124,512,740	106,399,396	230,912,136
Total assets	<u>479,077,198</u>	<u>132,089,146</u>	<u>611,166,344</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	48,279,959	1,374,874	49,654,833
Related to OPEB	1,127,400	67,929	1,195,329
Loss on refunding of debt	272,202	277,648	549,850
Total deferred outflows of resources	<u>49,679,561</u>	<u>1,720,451</u>	<u>51,400,012</u>
Total assets and deferred outflows	<u>528,756,759</u>	<u>133,809,597</u>	<u>662,566,356</u>
<b>LIABILITIES</b>			
Accounts payable	9,444,506	493,925	9,938,431
Accrued interest payable	588,128	463,269	1,051,397
Prepaid deposits	127,039	36,296	163,335
Unearned revenues	6,162,023	-	6,162,023
Long term liabilities			
Debt due within one year	7,074,168	2,072,140	9,146,308
Debt due in more than one year	155,555,572	35,566,378	191,121,950
Insurance claims payable	30,584,774	-	30,584,774
Net OPEB liability	19,047,735	1,147,664	20,195,399
Net pension liability	187,676,442	4,953,876	192,630,318
Total liabilities	<u>416,260,387</u>	<u>44,733,548</u>	<u>460,993,935</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	11,760,717	204,801	11,965,518
Related to OPEB	1,880,542	113,316	1,993,858
Gain on refunding of debt	20,650	-	20,650
Total deferred inflows of resources	<u>13,661,909</u>	<u>318,117</u>	<u>13,980,026</u>
<b>NET POSITION</b>			
Net investment in capital assets	132,079,740	78,755,026	210,834,766
Restricted for:			
Housing	6,473,685	-	6,473,685
Capital projects	40,005,450	-	40,005,450
Highways and streets	33,115,175	-	33,115,175
Debt service	4,846,867	1,965,948	6,812,815
Special programs	3,260,067	-	3,260,067
Total restricted assets	<u>87,701,244</u>	<u>1,965,948</u>	<u>89,667,192</u>
Unrestricted net position (deficit)	<u>(120,946,521)</u>	<u>8,036,958</u>	<u>(112,909,563)</u>
Total net position	<u>\$ 98,834,463</u>	<u>\$ 88,757,932</u>	<u>\$ 187,592,395</u>

The accompanying notes are an integral part of this statement.



# **FUND FINANCIAL STATEMENTS**



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# GOVERNMENTAL FUNDS

## GENERAL, MEASURE E, & MEASURE G FUND

The General, Measure E, & Measure G Funds are always classified as a major fund. They account for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General, Measure E, & Measure G Funds support essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.

## DEBT SERVICE FUNDS

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The following fund has been classified as a major fund:

Assessment District Debt Service – This fund is used to accumulate monies for payment of the City’s Assessment Districts Improvement Bonds. Debt service is financed with special assessments levied against property owners within the respective improvement districts.

## CAPITAL PROJECT FUNDS

Capital Projects Funds are used to account for major capital acquisition and construction activities. The following fund has been classified as a major fund:

Special Construction Assistance – This fund accounts for proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects.



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**CITY OF SALINAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<b>General, Measure E, &amp; Measure G</b>	<b>Assessment District Debt Service</b>	<b>Special Construction Assistance</b>	<b>Non-Major Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and investments	\$ 49,780,327	\$ 945,880	\$ 37,477,858	\$ 43,398,597	\$ 131,602,662
Receivables, net:					
Taxes	15,139,155	-	-	-	15,139,155
Accounts	235,946	-	-	200,769	436,715
Accrued interest	483,678	-	-	1,270,325	1,754,003
Assessments	-	5,645,000	-	-	5,645,000
Due from outside agencies	75,000	-	2,523,057	5,317,085	7,915,142
Due from other funds	3,193,187	-	-	560,636	3,753,823
Inventory	11,019	-	-	-	11,019
Restricted cash and investments	-	141,739	-	301,112	442,851
Loan receivables	-	-	-	226,605	226,605
Advances to other funds	6,085,000	-	-	-	6,085,000
Land and properties held for resale	-	-	-	2,507,553	2,507,553
Total assets	<u>\$ 75,003,312</u>	<u>\$ 6,732,619</u>	<u>\$ 40,000,915</u>	<u>\$ 53,782,682</u>	<u>\$ 175,519,528</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 6,860,890	\$ 1,000	\$ 792,345	\$ 1,658,385	\$ 9,312,620
Deposits	127,039	-	-	-	127,039
Due to other funds	15,743,142	-	567,156	1,414,599	17,724,897
Unearned revenues	-	-	506,285	10,738	517,023
Total liabilities	<u>22,731,071</u>	<u>1,000</u>	<u>1,865,786</u>	<u>3,083,722</u>	<u>27,681,579</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - housing loans	-	-	-	226,605	226,605
Unavailable revenues - grants	-	-	897,648	2,975,611	3,873,259
Unavailable revenues - special assessment receivable	-	5,645,000	-	-	5,645,000
Total deferred inflows of resources	<u>-</u>	<u>5,645,000</u>	<u>897,648</u>	<u>3,202,216</u>	<u>9,744,864</u>
<b>FUND BALANCE</b>					
Nonspendable	6,171,019	-	-	2,734,158	8,905,177
Restricted	-	1,086,619	38,135,129	45,745,338	84,967,086
Committed	5,038,675	-	-	2,000,000	7,038,675
Assigned	30,739,004	-	-	-	30,739,004
Unassigned	10,323,543	-	(897,648)	(2,982,752)	6,443,143
Total fund balance	<u>52,272,241</u>	<u>1,086,619</u>	<u>37,237,481</u>	<u>47,496,744</u>	<u>138,093,085</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 75,003,312</u>	<u>\$ 6,732,619</u>	<u>\$ 40,000,915</u>	<u>\$ 53,782,682</u>	<u>\$ 175,519,528</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2019**

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Total fund balances - total governmental funds (page F-27)		\$ 138,093,085
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet.		281,355,416
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(588,128)
Deferred Inflows are adjusted as follows:		
Deferred inflows resulting from revenues that are not available to liquidate liabilities of the current period in the governmental funds are reclassified as revenues in the statement of net position.		4,099,864
Taxes receivable not collectible within sixty days are not available to pay current period expenditures and, therefore, are not reported in the funds.		111,955
Internal service funds are used by management to charge the costs of insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position.		7,480,140
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet as follows:		
Annual leave	\$ (11,249,287)	
Estimated insurance claims	(2,315,675)	
Net pension liability	(186,128,356)	
Net OPEB liability	(18,749,263)	
Capital leases	(96,347,881)	
Certificates of participation	(46,871,285)	
Assessment bonds	<u>(5,719,934)</u>	(367,381,681)
Deferred inflows and outflows		
The deferred outflows are not current assets or financial resources; and the deferred inflows are not due and payable in the current period, and therefore are not reported in the Governmental Funds		
Deferred outflows		49,232,249
Deferred inflows		<u>(13,568,437)</u>
Net position of governmental activities (page F-21)		<u><u>\$ 98,834,463</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>General Measure E, &amp; Measure G</b>	<b>Assessment District Debt Service</b>	<b>Special Construction Assistance</b>	<b>Non-Major Governmental Funds</b>	<b>Total</b>
<b>REVENUES</b>					
Taxes	\$ 127,139,518	\$ -	\$ -	\$ 800,025	\$ 127,939,543
Taxes - special assessments	-	703,847	-	1,775,930	2,479,777
Licenses and permits	7,490,908	-	-	-	7,490,908
Intergovernmental	933,586	-	3,219,216	14,899,814	19,052,616
Charges for services	5,685,066	-	818,774	1,800,397	8,304,237
Interest	1,871,068	4,471	-	1,540,889	3,416,428
Rental income	370,372	-	-	265,510	635,882
Fines and forfeits	321,889	-	-	227,942	549,831
Developer contributions	-	-	282,004	-	282,004
Miscellaneous	990,477	1,926	14,642	416,318	1,423,363
Total revenues	<u>144,802,884</u>	<u>710,244</u>	<u>4,334,636</u>	<u>21,726,825</u>	<u>171,574,589</u>
<b>EXPENDITURES</b>					
Current:					
General government	16,316,339	-	11,530	2,764,637	19,092,506
Public safety	72,741,824	-	-	3,196,555	75,938,379
Public works	11,235,904	-	124,873	1,429,220	12,789,997
Recreation	3,807,537	-	-	156,056	3,963,593
Library	4,739,101	-	-	374,804	5,113,905
Capital outlay	746,267	-	6,520,795	16,677,130	23,944,192
Debt service:					
Principal retirement	-	805,000	-	2,354,338	3,159,338
Interest and fiscal charges	-	88,193	-	3,309,457	3,397,650
Total expenditures	<u>109,586,972</u>	<u>893,193</u>	<u>6,657,198</u>	<u>30,262,197</u>	<u>147,399,560</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>35,215,912</u>	<u>(182,949)</u>	<u>(2,322,562)</u>	<u>(8,535,372)</u>	<u>24,175,029</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	-	-	41,456,285	2,749,934	44,206,219
Housing loan repayment from Successor Agency	-	-	-	1,308	1,308
Operating transfers in	4,298,230	220,027	-	20,683,434	25,201,691
Operating transfers out	<u>(22,554,977)</u>	<u>-</u>	<u>(136,403)</u>	<u>(11,528,335)</u>	<u>(34,219,715)</u>
Total other financing sources (uses)	<u>(18,256,747)</u>	<u>220,027</u>	<u>41,319,882</u>	<u>11,906,341</u>	<u>35,189,503</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>16,959,165</u>	<u>37,078</u>	<u>38,997,320</u>	<u>3,370,969</u>	<u>59,364,532</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	33,913,341	1,049,541	(3,111,612)	43,799,093	75,650,363
<b>PRIOR PERIOD ADJUSTMENT (NOTE 21)</b>	<u>1,399,735</u>	<u>-</u>	<u>1,351,773</u>	<u>326,682</u>	<u>3,078,190</u>
<b>FUND BALANCES BEGINNING OF YEAR, AS RESTATED</b>	<u>35,313,076</u>	<u>1,049,541</u>	<u>(1,759,839)</u>	<u>44,125,775</u>	<u>78,728,553</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 52,272,241</u>	<u>\$ 1,086,619</u>	<u>\$ 37,237,481</u>	<u>\$ 47,496,744</u>	<u>\$ 138,093,085</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balance - total governmental funds (page F-29)		\$ 59,364,532
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 costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlays, net of depreciation.		
Capital outlay	\$ 17,286,947	
Depreciation	<u>(10,788,309)</u>	6,498,638
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations).		40,712
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Earned but unavailable intergovernmental revenues	2,818,511	
Interest	1,071,319	
Property taxes	<u>162,399</u>	4,052,229
Issuance of housing loans are reported in the statement of net position.		1,502,704
Principal payments on housing loans are reported in the statement of net position.		(242,000)
Reporting of loan receivables at realizable value requires an allowance to be made.		(1,570,110)
Issuance of long-term debt including capital advances, compensating absences, and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources in governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Following is the net effect of these differences in the treatment of long-term debt and related items:		
Increase in compensated absences	(162,533)	
Decrease in insurance claims payable	158,934	
Issuance of certificates of participation	(37,500,000)	
Issuance of assessment district bonds	(2,675,000)	
Premium	(4,401,938)	
Discount	370,719	
Principal paid on capital leases	1,799,338	
Principal paid on certificates of participation	555,000	
Principal paid on assessment district bonds	<u>805,000</u>	(41,050,480)
Pension expense and OPEB expense do not require the use of current financial resources and therefore are not presented as an expenditure in the governmental funds.		(9,466,007)
Governmental funds report the effect of bond insurance costs when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net current period change in unamortized bond insurance cost.		(30,630)
Interest payable expense on long-term debt is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, interest payable expense is not reported as expenditures in governmental funds. This amount is the current year net change in interest payable.		(348,546)
Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net position.		<u>592,835</u>
Change in net position of governmental activities (page F-22)		<u>\$ 19,343,877</u>

The accompanying notes are an integral part of this statement.

## **PROPRIETARY FUNDS**

Proprietary Funds are used to account for a government's business-type activities (activities supported, at least in part, by fees or charges). Proprietary funds are segregated into Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report business-type activities for which a fee is charged to external users for goods or services. Internal Service Funds on the other hand are used primarily for services provided to internal users (other departments or agencies).

The City has the following Enterprise Funds:

Airport Fund - This fund is used to account for the enterprise operations of the City-owned airport.

Industrial Waste Fund - This fund is used to account for enterprise operations of the City-operated Industrial Wastewater treatment facility.

Municipal Golf Courses Fund - This fund is used to account for the enterprise operations of the Fairways and Twin Creeks golf courses.

Sanitary Sewer Fund - This fund is used to account for the maintenance of the City's sanitary sewer collection system, which is funded by user fees and by the Monterey Regional Water Pollution Control Agency sewer user fees.

Storm Sewer Fund - This fund is used to account for the maintenance of the City's storm drainage system and the street sweeping program. This program was funded with a storm sewer fee that was declared by the Court as invalid under Proposition 218. Until alternative funding is secured, the program is funded with a combination of general funds and gas tax funds. In addition, the program is funded with a street sweeping surcharge on garbage collection billings.

Landfill Garbage Surcharge Fund - This fund is used to account for the installment sale of the Crazy Horse landfill site to the Salinas Valley Solid Waste Authority.

Water Utility Fund – This fund is used to account for the repairs and maintenance of the water well located at Hitchcock Road. Water users fund the costs of the water well repairs and annual operating costs.

Downtown Parking District Fund - This fund was established to account for revenues, operating expenses and debt service associated with the City's parking facilities. The City's paid parking facilities include the Monterey Street Parking Structure, the Salinas Street Garage and four parking lots.

Permit Services Fund – This fund is used to account for the revenues and expenditures associated with providing permitting services to the community.



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**CITY OF SALINAS**  
**STATEMENT OF FUND NET POSITION (DEFICITS)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	Business-type Activity - Enterprise Funds					Landfill Garbage Surcharge
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 898,138	\$ 6,263,069	\$ 335,291	\$ 5,057,143	\$ 567,407	\$ 1,334,029
Receivables, net						
Accounts	83,329	561,023	15,000	824,396	-	-
Excess insurance receivable	-	-	-	-	-	-
Accrued interest	4,557	30,903	-	25,021	-	6,379
Prepaid bond insurance	-	-	-	-	-	-
Due from general fund	-	-	-	-	-	-
Total current assets	<u>986,024</u>	<u>6,854,995</u>	<u>350,291</u>	<u>5,906,560</u>	<u>567,407</u>	<u>1,340,408</u>
Noncurrent assets:						
Restricted cash and investments	-	-	345,748	1,620,200	-	-
Prepaid bond insurance, long term	-	-	-	-	-	-
Capital assets						
Land and nondepreciable assets	4,101,600	4,298,793	-	2,349,608	1,023,307	-
Depreciable assets, net accumulated depreciation	14,032,856	12,299,093	1,158,445	32,762,797	37,120,929	-
Net capital assets	<u>18,134,456</u>	<u>16,597,886</u>	<u>1,158,445</u>	<u>35,112,405</u>	<u>38,144,236</u>	<u>-</u>
Total noncurrent assets	<u>18,134,456</u>	<u>16,597,886</u>	<u>1,504,193</u>	<u>36,732,605</u>	<u>38,144,236</u>	<u>-</u>
Total assets	<u>19,120,480</u>	<u>23,452,881</u>	<u>1,854,484</u>	<u>42,639,165</u>	<u>38,711,643</u>	<u>1,340,408</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pensions	171,859	171,860	-	343,719	429,648	-
Related to OPEB	8,325	6,887	-	15,483	14,795	-
Loss on refunding of debt	-	-	231,484	46,164	-	-
Total deferred outflows of resources	<u>180,184</u>	<u>178,747</u>	<u>231,484</u>	<u>405,366</u>	<u>444,443</u>	<u>-</u>
Total assets and deferred outflows	<u>19,300,664</u>	<u>23,631,628</u>	<u>2,085,968</u>	<u>43,044,531</u>	<u>39,156,086</u>	<u>1,340,408</u>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable	40,130	27,937	1,099	84,403	124,964	-
Deposits	33,170	-	-	-	-	-
Due to other funds	20,128	8,625	75,509	9,841	-	-
Insurance claims payable	-	-	-	-	-	-
Interest payable	400	27,965	36,147	255,999	1,657	-
Long term debt - due within one year	42,722	432,093	460,000	436,233	130,128	-
Total current liabilities	<u>136,550</u>	<u>496,620</u>	<u>572,755</u>	<u>786,476</u>	<u>256,749</u>	<u>-</u>
Noncurrent Liabilities:						
Advance from general fund	-	-	3,300,000	-	-	-
Long term debt - due in more than one year	82,570	2,423,372	7,220,000	15,243,064	308,515	-
Net pension liability	619,234	619,236	-	1,238,468	1,548,087	-
Net OPEB liability	140,651	116,364	-	261,591	249,958	-
Total noncurrent liabilities	<u>842,455</u>	<u>3,158,972</u>	<u>10,520,000</u>	<u>16,743,123</u>	<u>2,106,560</u>	<u>-</u>
Total liabilities	<u>979,005</u>	<u>3,655,592</u>	<u>11,092,755</u>	<u>17,529,599</u>	<u>2,363,309</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Related to pensions	25,602	25,601	-	51,202	63,994	-
Related to OPEB	13,886	11,488	-	25,826	24,687	-
Total deferred inflows	<u>39,488</u>	<u>37,089</u>	<u>-</u>	<u>77,028</u>	<u>88,681</u>	<u>-</u>
<b>NET POSITION</b>						
Invested in capital assets	18,074,179	13,324,921	(7,017,702)	18,981,406	37,698,289	-
Restricted	-	-	345,748	1,620,200	-	-
Unrestricted	207,992	6,614,026	(2,334,833)	4,836,298	(994,193)	1,340,408
Total net position (deficit)	<u>\$ 18,282,171</u>	<u>\$ 19,938,947</u>	<u>\$ (9,006,787)</u>	<u>\$ 25,437,904</u>	<u>\$ 36,704,096</u>	<u>\$ 1,340,408</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS**  
**STATEMENT OF FUND NET POSITION (DEFICITS)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	Business-type Activity - Enterprise Funds				Governmental
	Water Utility	Downtown Parking District	Permit Services	Totals	Activity Internal Service Funds
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 30,121	\$ 585,690	\$ 2,392,761	\$ 17,463,649	\$ 15,965,159
Receivables, net					
Accounts	10,320	277,033	122	1,771,223	-
Excess insurance receivable	-	-	-	-	8,000,000
Accrued interest	-	-	11,268	78,128	40,266
Prepaid bond insurance	-	8,587	-	8,587	-
Due from general fund	-	-	-	-	15,396,150
Total current assets	<u>40,441</u>	<u>871,310</u>	<u>2,404,151</u>	<u>19,321,587</u>	<u>39,401,575</u>
Noncurrent assets:					
Restricted cash and investments	-	-	-	1,965,948	413,621
Prepaid bond insurance, long term	-	120,225	-	120,225	-
Capital assets					
Land and nondepreciable assets	-	18,758	-	11,792,066	-
Depreciable assets, net accumulated depreciation	46,873	8,951,797	26,606	106,399,396	-
Net capital assets	<u>46,873</u>	<u>8,970,555</u>	<u>26,606</u>	<u>118,191,462</u>	<u>-</u>
Total noncurrent assets	<u>46,873</u>	<u>9,090,780</u>	<u>26,606</u>	<u>120,277,635</u>	<u>413,621</u>
Total assets	<u>87,314</u>	<u>9,962,090</u>	<u>2,430,757</u>	<u>139,599,222</u>	<u>39,815,196</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to pensions	-	-	257,788	1,374,874	429,646
Related to OPEB	-	2,326	20,113	67,929	17,666
Loss on refunding of debt	-	-	-	277,648	-
Total deferred outflows of resources	<u>-</u>	<u>2,326</u>	<u>277,901</u>	<u>1,720,451</u>	<u>447,312</u>
Total assets and deferred outflows	<u>87,314</u>	<u>9,964,416</u>	<u>2,708,658</u>	<u>141,319,673</u>	<u>40,262,508</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	842	106,093	108,457	493,925	131,886
Deposits	-	-	3,126	36,296	-
Due to other funds	-	1,290,641	20,332	1,425,076	-
Insurance claims payable	-	-	-	-	30,584,774
Interest payable	-	141,101	-	463,269	-
Long term debt - due within one year	-	536,306	34,658	2,072,140	25,135
Total current liabilities	<u>842</u>	<u>2,074,141</u>	<u>166,573</u>	<u>4,490,706</u>	<u>30,741,795</u>
Noncurrent Liabilities:					
Advance from general fund	-	2,785,000	-	6,085,000	-
Long term debt - due in more than one year	-	10,150,224	138,633	35,566,378	100,542
Net pension liability	-	-	928,851	4,953,876	1,548,086
Net OPEB liability	-	39,290	339,810	1,147,664	298,472
Total noncurrent liabilities	<u>-</u>	<u>12,974,514</u>	<u>1,407,294</u>	<u>47,752,918</u>	<u>1,947,100</u>
Total liabilities	<u>842</u>	<u>15,048,655</u>	<u>1,573,867</u>	<u>52,243,624</u>	<u>32,688,895</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions	-	-	38,402	204,801	64,004
Related to OPEB	-	3,880	33,549	113,316	29,469
Total deferred inflows	<u>-</u>	<u>3,880</u>	<u>71,951</u>	<u>318,117</u>	<u>93,473</u>
<b>NET POSITION</b>					
Invested in capital assets	46,873	(2,379,546)	26,606	78,755,026	-
Restricted	-	-	-	1,965,948	-
Unrestricted	39,599	(2,708,573)	1,036,234	8,036,958	7,480,140
Total net position (deficit)	<u>\$ 86,472</u>	<u>\$ (5,088,119)</u>	<u>\$ 1,062,840</u>	<u>\$ 88,757,932</u>	<u>\$ 7,480,140</u>

The accompanying notes are an integral part of this statement.



**CITY OF SALINAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICITS)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Business-type Activity - Enterprise Fund					
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge
<b>OPERATING REVENUES:</b>						
Charges for services						
Fees	\$ 31,254	\$ 2,942,904	\$ -	\$ 3,685,042	\$ 3,949	\$ -
Licenses and permits	95,483	-	-	-	-	-
Rental income	1,476,377	-	160,000	-	-	-
Total operating revenues	<u>1,603,114</u>	<u>2,942,904</u>	<u>160,000</u>	<u>3,685,042</u>	<u>3,949</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>						
Personnel services	753,327	824,341	-	1,337,549	1,681,969	-
Administration	176,585	213,998	-	264,860	322,453	-
Contractual services	213,643	175,996	73,356	157,783	770,526	-
Supplies	72,853	39,132	-	85,051	158,283	-
Insurance	20,000	18,500	-	44,800	25,900	-
Insurance claims	-	-	-	-	-	-
Fees and permits (taxes)	45,835	10,672	-	180	42,974	-
Utilities	89,947	364,955	-	104,897	8,536	-
Depreciation	884,612	366,544	303,615	1,458,576	2,671,929	-
Amortization	-	-	35,173	4,617	-	-
Other	11,403	8,867	-	102,767	17,918	-
Total operating expenses	<u>2,268,205</u>	<u>2,023,005</u>	<u>412,144</u>	<u>3,561,080</u>	<u>5,700,488</u>	<u>-</u>
Operating income (loss)	<u>(665,091)</u>	<u>919,899</u>	<u>(252,144)</u>	<u>123,962</u>	<u>(5,696,539)</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	19,751	125,116	7,589	149,516	-	30,735
Interest expense	(1,600)	(68,422)	(188,910)	(622,991)	(11,371)	-
Gain (loss) on disposition of fixed assets	-	2,136	-	1,750	-	-
Other nonoperating revenues (expenses)	35,150	-	-	611	(2,737)	-
Total nonoperating revenues (expenses)	<u>53,301</u>	<u>58,830</u>	<u>(181,321)</u>	<u>(471,114)</u>	<u>(14,108)</u>	<u>30,735</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	(611,790)	978,729	(433,465)	(347,152)	(5,710,647)	30,735
Contribution for parking structure debt	-	-	-	-	-	-
Transfers in	1,072,247	-	-	400,171	3,572,617	-
Transfers out	(122,862)	(306,426)	-	(262,097)	(6,481)	(385,100)
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>337,595</u>	<u>672,303</u>	<u>(433,465)</u>	<u>(209,078)</u>	<u>(2,144,511)</u>	<u>(354,365)</u>
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR</b>	17,942,390	19,266,644	(8,573,322)	25,646,982	38,848,607	1,694,773
Prior Period Adjustment - Note 21	2,186	-	-	-	-	-
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR - AS RESTATED</b>	<u>17,944,576</u>	<u>19,266,644</u>	<u>(8,573,322)</u>	<u>25,646,982</u>	<u>38,848,607</u>	<u>1,694,773</u>
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<u>\$ 18,282,171</u>	<u>\$ 19,938,947</u>	<u>\$ (9,006,787)</u>	<u>\$ 25,437,904</u>	<u>\$ 36,704,096</u>	<u>\$ 1,340,408</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICITS)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Business-type Activity - Enterprise Fund				Governmental
	Water Utility	Downtown Parking District	Permit Services	Totals	Activity Internal Service Funds
<b>OPERATING REVENUES:</b>					
Charges for services					
Fees	\$ 7,423	\$ 1,300,382	\$ 1,587,836	\$ 9,558,790	\$ 5,048,765
Licenses and permits	-	391,527	1,538,209	2,025,219	-
Rental income	-	-	-	1,636,377	-
Total operating revenues	<u>7,423</u>	<u>1,691,909</u>	<u>3,126,045</u>	<u>13,220,386</u>	<u>5,048,765</u>
<b>OPERATING EXPENSES:</b>					
Personnel services	-	60,588	1,443,504	6,101,278	1,880,514
Administration	1,834	218,399	320,711	1,518,840	-
Contractual services	8,486	1,247,379	619,709	3,266,878	441,371
Supplies	2,832	13,818	18,807	390,776	606,817
Insurance	-	-	-	109,200	1,431,691
Insurance claims	-	-	-	-	5,030,546
Fees and permits (taxes)	-	3,611	-	103,272	-
Utilities	-	32,424	3,694	604,453	191
Depreciation	10,045	587,634	13,778	6,296,733	-
Amortization	-	8,587	-	48,377	-
Other	-	-	14,176	155,131	555,329
Total operating expenses	<u>23,197</u>	<u>2,172,440</u>	<u>2,434,379</u>	<u>18,594,938</u>	<u>9,946,459</u>
Operating income (loss)	<u>(15,774)</u>	<u>(480,531)</u>	<u>691,666</u>	<u>(5,374,552)</u>	<u>(4,897,694)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	-	-	46,804	379,511	175,926
Interest expense	-	(432,651)	-	(1,325,945)	-
Gain (loss) on disposition of fixed assets	-	-	-	3,886	-
Other nonoperating revenues (expenses)	-	(562)	-	32,462	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>(433,213)</u>	<u>46,804</u>	<u>(910,086)</u>	<u>175,926</u>
<b>INCOME (LOSS) BEFORE</b>					
<b>CONTRIBUTIONS AND TRANSFERS</b>	(15,774)	(913,744)	738,470	(6,284,638)	(4,721,768)
Contribution for parking structure debt	-	950,406	-	950,406	-
Transfers in	-	-	-	5,045,035	5,314,604
Transfers out	-	(35,274)	(223,375)	(1,341,615)	-
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>(15,774)</u>	<u>1,388</u>	<u>515,095</u>	<u>(1,630,812)</u>	<u>592,836</u>
<b>NET POSITION (DEFICIT),</b>					
<b>BEGINNING OF YEAR</b>	102,246	(5,089,507)	530,842	90,369,655	6,887,304
Prior Period Adjustment - Note 21	-	-	16,903	19,089	-
<b>NET POSITION (DEFICIT),</b>					
<b>BEGINNING OF YEAR - AS RESTATED</b>	<u>102,246</u>	<u>(5,089,507)</u>	<u>547,745</u>	<u>90,388,744</u>	<u>6,887,304</u>
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<u>\$ 86,472</u>	<u>\$ (5,088,119)</u>	<u>\$ 1,062,840</u>	<u>\$ 88,757,932</u>	<u>\$ 7,480,140</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Landfill Garbage Surcharge</b>
	<b>Airport</b>	<b>Industrial Waste</b>	<b>Municipal Golf Courses</b>	<b>Sanitary Sewer</b>	<b>Storm Sewer</b>	
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 1,633,897	\$ 3,627,790	\$ 145,000	\$ 3,622,034	\$ 4,182	\$ -
Receipts from interfund services provided	-	-	-	-	-	-
Payments to suppliers	(672,486)	(1,150,867)	(72,507)	(737,271)	(1,286,296)	-
Payments to employees	(681,335)	(490,771)	-	(1,216,297)	(1,185,844)	-
Payments to claimants	-	-	-	-	-	-
Net cash provided (used) by operating activities	<u>280,076</u>	<u>1,986,152</u>	<u>72,493</u>	<u>1,668,466</u>	<u>(2,467,958)</u>	<u>-</u>
<b>Cash flows from non-capital financing activities:</b>						
Operating contributions	2,186	-	-	-	-	-
Advances received from general fund	-	-	450,000	-	-	-
Operating transfers in	1,072,247	-	75,509	400,171	3,572,617	-
Operating transfers out	(122,862)	(306,426)	-	(262,097)	(6,481)	(385,100)
Net cash provided by (used) for Non-capital financing activities	<u>951,571</u>	<u>(306,426)</u>	<u>525,509</u>	<u>138,074</u>	<u>3,566,136</u>	<u>(385,100)</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets	(1,115,496)	(147,236)	-	(886,137)	(513,964)	-
Proceeds from sale of assets	-	2,136	-	1,750	-	-
Contribution from Successor Agency	-	-	-	-	-	-
Capital related transfers in	20,128	7,731	-	892	(3,720)	-
Principal paid on capital debt	(29,052)	(409,000)	(440,000)	(390,000)	(106,481)	-
Interest paid on capital debt	(1,796)	(70,661)	(191,391)	(638,433)	(11,850)	-
Net cash provided (used) by capital and related financing activities	<u>(1,126,216)</u>	<u>(617,030)</u>	<u>(631,391)</u>	<u>(1,911,928)</u>	<u>(636,015)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>						
Interest received	14,781	90,622	7,589	107,454	-	24,650
Poceeds from sale of investments	-	-	-	245,000	-	-
Increase (decrease) in fair value of LAIF investments	3,974	25,459	-	40,968	-	7,218
Net cash provided by investing activities	<u>18,755</u>	<u>116,081</u>	<u>7,589</u>	<u>393,422</u>	<u>-</u>	<u>31,868</u>
Net increase (decrease) in cash and cash equivalents	124,186	1,178,777	(25,800)	288,034	462,163	(353,232)
Cash and cash equivalents at beginning of year	<u>773,952</u>	<u>5,084,292</u>	<u>706,839</u>	<u>5,649,309</u>	<u>105,244</u>	<u>1,687,261</u>
Cash and cash equivalents at end of year	<u>\$ 898,138</u>	<u>\$ 6,263,069</u>	<u>\$ 681,039</u>	<u>\$ 5,937,343</u>	<u>\$ 567,407</u>	<u>\$ 1,334,029</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities</b>
	<b>Water Utility</b>	<b>Downtown Parking District</b>	<b>Permit Services</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 6,065	\$ 1,686,037	\$ 3,129,103	\$ 13,854,108	\$ -
Receipts from interfund services provided	-	-	-	-	(2,951,235)
Payments to suppliers	(14,057)	(1,531,950)	(988,355)	(6,453,789)	(3,060,845)
Payments to employees	-	(142,450)	(1,469,072)	(5,185,769)	(1,374,726)
Payments to claimants	-	-	-	-	2,394,233
Net cash provided (used) by operating activities	<u>(7,992)</u>	<u>11,637</u>	<u>671,676</u>	<u>2,214,550</u>	<u>(4,992,573)</u>
<b>Cash flows from non-capital financing activities:</b>					
Operating contributions	-	-	16,903	19,089	-
Advances received from general fund	-	175,000	-	625,000	-
Operating transfers in	-	165,448	19,702	5,305,694	6,667,383
Operating transfers out	-	(35,274)	(223,375)	(1,341,615)	-
Net cash provided by (used) for Non-capital financing activities	<u>-</u>	<u>305,174</u>	<u>(186,770)</u>	<u>4,608,168</u>	<u>6,667,383</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	-	(12,059)	-	(2,674,892)	-
Proceeds from sale of assets	-	-	-	3,886	-
Contribution from Successor Agency	-	950,406	-	950,406	-
Capital related transfers in	-	-	-	25,031	-
Principal paid on capital debt	-	(511,000)	-	(1,885,533)	-
Interest paid on capital debt	-	(439,406)	-	(1,353,537)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(12,059)</u>	<u>-</u>	<u>(4,934,639)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>					
Interest received	-	-	34,221	279,317	175,926
Poceeds from sale of investments	-	-	-	245,000	-
Increase (decrease) in fair value of LAIF investments	-	-	9,272	86,891	(6,713)
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>43,493</u>	<u>611,208</u>	<u>169,213</u>
Net increase (decrease) in cash and cash equivalents	(7,992)	304,752	528,399	2,499,287	1,844,023
Cash and cash equivalents at beginning of year	38,113	280,938	1,864,362	16,190,310	14,534,757
Cash and cash equivalents at end of year	<u>\$ 30,121</u>	<u>\$ 585,690</u>	<u>\$ 2,392,761</u>	<u>\$ 18,689,597</u>	<u>\$ 16,378,780</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>					
	<b>Airport</b>	<b>Industrial Waste</b>	<b>Municipal Golf Courses</b>	<b>Sanitary Sewer</b>	<b>Storm Sewer</b>	<b>Landfill Garbage Surcharge</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position</b>						
Ending cash and cash equivalents - statement of cash flows	\$ 898,138	\$ 6,263,069	\$ 681,039	\$ 5,937,343	\$ 567,407	\$ 1,334,029
Less amounts reported in restricted cash and investments	-	-	(345,748)	(880,200)	-	-
Cash and cash equivalents - statement of net position	<u>\$ 898,138</u>	<u>\$ 6,263,069</u>	<u>\$ 335,291</u>	<u>\$ 5,057,143</u>	<u>\$ 567,407</u>	<u>\$ 1,334,029</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	<u>\$ (629,941)</u>	<u>\$ 919,899</u>	<u>\$ (252,144)</u>	<u>\$ 124,573</u>	<u>\$ (5,699,276)</u>	<u>\$ -</u>
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	884,612	366,544	303,615	1,458,576	2,671,929	-
Amortization	-	-	35,173	4,617	-	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:						
(Increase) decrease in accounts receivable	21,650	684,886	(15,000)	(63,619)	-	-
(Increase) decrease in excess insurance receivable	-	-	-	-	-	-
(Increase) decrease in deferred outflows - pension	(8,003)	(106,320)	-	16,763	(134,704)	-
(Increase) decrease in deferred outflows - OPEB	(211)	(174)	-	(393)	(376)	-
Increase (decrease) in accounts payable	(37,526)	(312,344)	849	32,490	67,078	-
Increase (decrease) in deposits	(26,017)	-	-	-	-	-
Increase (decrease) in insurance claims	-	-	-	-	-	-
Increase (decrease) in accrued leave	(20,837)	6,469	-	13,834	2,676	-
Increase (decrease) in net pension liability	95,949	409,932	-	87,248	606,167	-
Increase (decrease) in net OPEB liability	1,528	1,264	-	2,842	2,715	-
Increase (decrease) in deferred inflows - pension	(3,669)	13,894	-	(13,191)	11,308	-
Increase (decrease) in deferred inflows - OPEB	2,541	2,102	-	4,726	4,525	-
Total adjustments to net income	<u>910,017</u>	<u>1,066,253</u>	<u>324,637</u>	<u>1,543,893</u>	<u>3,231,318</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 280,076</u>	<u>\$ 1,986,152</u>	<u>\$ 72,493</u>	<u>\$ 1,668,466</u>	<u>\$ (2,467,958)</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Water Utility</b>	<b>Downtown Parking District</b>	<b>Permit Services</b>	<b>Totals</b>	<b>Activities Internal Service Funds</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position</b>					
Ending cash and cash equivalents - statement of cash flows	\$ 30,121	\$ 585,690	\$ 2,392,761	\$ 18,689,597	\$ 16,378,780
Less amounts reported in restricted cash and investments	-	-	-	(1,225,948)	(413,621)
Cash and cash equivalents - statement of net position	<u>\$ 30,121</u>	<u>\$ 585,690</u>	<u>\$ 2,392,761</u>	<u>\$ 17,463,649</u>	<u>\$ 15,965,159</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	<u>\$ (15,774)</u>	<u>\$ (481,093)</u>	<u>\$ 691,666</u>	<u>\$ (5,342,090)</u>	<u>\$ (4,897,694)</u>
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	10,045	587,634	13,778	6,296,733	-
Amortization	-	8,587	-	48,377	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in accounts receivable	(1,358)	(5,872)	(68)	620,619	-
(Increase) decrease in excess insurance receivable	-	-	-	-	(8,000,000)
(Increase) decrease in deferred outflows - pension	-	32,769	69,924	(129,571)	(134,714)
(Increase) decrease in deferred outflows - OPEB	-	(59)	(512)	(1,725)	(448)
Increase (decrease) in accounts payable	(905)	(13,946)	4,854	(259,450)	(11,143)
Increase (decrease) in deposits	-	-	3,126	(22,891)	-
Increase (decrease) in insurance claims	-	-	-	-	7,424,779
Increase (decrease) in accrued leave	-	(7,015)	16,935	12,062	496
Increase (decrease) in net pension liability	-	(104,651)	(117,719)	976,926	606,197
Increase (decrease) in net OPEB liability	-	427	3,692	12,468	3,242
Increase (decrease) in deferred inflows - pension	-	(5,855)	(20,138)	(17,651)	11,318
Increase (decrease) in deferred inflows - OPEB	-	711	6,138	20,743	5,394
Total adjustments to net income	<u>7,782</u>	<u>492,730</u>	<u>(19,990)</u>	<u>7,556,640</u>	<u>(94,879)</u>
Net cash provided (used) by operating activities	<u>\$ (7,992)</u>	<u>\$ 11,637</u>	<u>\$ 671,676</u>	<u>\$ 2,214,550</u>	<u>\$ (4,992,573)</u>

The accompanying notes are an integral part of this statement.

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The City maintains the following Fiduciary Funds:

Private Purpose Trust Funds - These funds are used to account for any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. This fund also accounts for the Successor Agency of the former Redevelopment Agency which was dissolved on January 31, 2012 pursuant to state law.

Pension Trust Funds – These funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. The City's only pension trust fund is the Deferred Compensation Fund; which allows City employees to invest in trust deeds that are managed by the City with the oversight of an investment committee that is made up of representatives from each of the bargaining units.

Custodial Funds - These funds are used to account for assets held in an agent capacity by the City for individuals, private organizations, other governments and/or other funds that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds.



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**CITY OF SALINAS**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019**

	<b>Private Purpose Trust Fund</b>	<b>Pension Trust Fund</b>	<b>Custodial Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 3,668,133	\$ 17,064,925	\$ 136,155
Cash and investments held by fiscal agent	1,591,907	-	-
Receivables			
Accounts	7,618	30,808	151,807
Interest	10,853	16,571	-
Loans and notes receivable	173,900	-	-
Capital assets, net of accumulated depreciation	149,270	-	-
	<u>5,601,681</u>	<u>17,112,304</u>	<u>287,962</u>
<b>LIABILITIES</b>			
Accounts payable	95,656	1,550	196,123
Interest payable	690,029	-	-
Long-term liabilities			
Due within one year	303,685	-	-
Due in more than one year	2,389,708	-	-
	<u>3,479,078</u>	<u>1,550</u>	<u>196,123</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Future ROPS	2,147,415	-	-
	<u>2,147,415</u>	<u>-</u>	<u>-</u>
<b>NET POSITION (DEFICIT)</b>			
Restricted for:			
Pensions	-	14,402,625	-
Postemployment benefits other than pensions	-	2,708,129	-
Individuals and organizations	(24,812)	-	91,839
	<u>(24,812)</u>	<u>17,110,754</u>	<u>91,839</u>
Total net position (deficit)	<u>\$ (24,812)</u>	<u>\$ 17,110,754</u>	<u>\$ 91,839</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Private Purpose Trust Fund</b>	<b>Pension Trust Fund</b>	<b>Custodial Funds</b>
<b>ADDITIONS</b>			
Taxes	\$ 4,600,225	\$ -	\$ -
Miscellaneous	233,415	23,092	-
Total taxes, rental, and miscellaneous income	<u>4,833,640</u>	<u>23,092</u>	<u>-</u>
Contributions			
Plan members	-	122,277	258,721
Employers	-	3,298,357	-
Private donations	1,686,812	-	-
Total contributions	<u>1,686,812</u>	<u>3,420,634</u>	<u>258,721</u>
Investment earnings			
Interest	124,082	781,581	-
Less investment expense	-	(21,719)	-
Net investment earnings	<u>124,082</u>	<u>759,862</u>	<u>-</u>
Assessments collected for other governments	-	-	535,086
Total additions	<u>6,644,534</u>	<u>4,203,588</u>	<u>793,807</u>
<b>DEDUCTIONS</b>			
Expenses	1,657,012	128,410	-
Benefit payments	-	3,377,496	242,873
Payments on behalf of trustees	3,700,485	-	-
Contribution to other agencies	951,715	-	-
Assessments disbursed to other governments	-	-	554,949
Total deductions	<u>6,309,212</u>	<u>3,505,906</u>	<u>797,822</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>335,322</u>	<u>697,682</u>	<u>(4,015)</u>
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR</b>	1,263,372	10,938,355	217,854
Prior Period Adjustment	<u>(1,623,506)</u>	<u>5,474,717</u>	<u>(122,000)</u>
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR - AS RESTATED</b>	<u>(360,134)</u>	<u>16,413,072</u>	<u>95,854</u>
<b>END OF YEAR</b>	<u>\$ (24,812)</u>	<u>\$ 17,110,754</u>	<u>\$ 91,839</u>

The accompanying notes are an integral part of this statement.

**NOTES TO  
BASIC FINANCIAL STATEMENTS**



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CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

1. Description of the Reporting Entity and Significant Accounting Policies:

***A. Reporting Entity***

Description of the Reporting Entity

The City of Salinas (City) was incorporated as a charter City on March 4, 1874. The City operates under a Council-Manager form of government and provides the following services as authorized: Public Safety, Public Works, Recreation-Parks, Library and General Government Administrative Services. The City also operates an Airport, a Downtown Parking District, a Sanitary Sewer System, a Water Utility, a Storm Sewer System and an Industrial Waste Facility.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

The basic financial statements of the City of Salinas, California (City), include the financial activities of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The blended component unit, although a legally separate entity, is, in substance, part of the City's operations and so data from this unit is combined with data of the primary government. The City has no discretely presented component units. The City and its blended component unit have June 30 year ends.

*Blended Component Unit*

The Salinas Public Financing Authority (Authority) – The Authority was established October 6, 1992 pursuant to a Joint Exercise of Powers Agreement by and between the City and the City of Salinas Redevelopment Agency, which is now the Salinas Successor Agency to the former Redevelopment Agency. It was established to refund Central City Revitalization Project tax allocation bonds. The Authority's purpose is to assist with financing or refinancing of certain public capital facilities within the City.

The Authority was used on the following dates for the following purposes:

- April 19, 1994 - to issue a site lease to finance the expansion of the industrial waste facility.
- September 17, 1996 - to issue Central City Revitalization Project Tax Allocation Bonds, Series A 1996.
- March 25, 1997 - issue Variable Rate Lease Revenue Bonds, Series A and B 1997.
- October 24, 1997 - to issue Certificates of Participation, Series A 1997.
- February 25, 1999 - to issue Certificates of Participation, Series A 1999.

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

- December 17, 2003 - to issue Certificates of Participation, Series A 2004.
- September 1, 2005 - issue Refunding Certificates of Participation, Series 2005 A and B.
- August 21, 2008 - to issue variable rate taxable refunding Certificates of Participation Series 2008.
- January 29, 2014 – to refinance Certificates of Participation, Series A 2004 & Series A 1999 (Animal Shelter) with a lease purchase agreement (2014) with a bank.
- September 1, 2015 – to issue Refunding Certificates of Participation Series 2015 A and B for refunding of Certificates of Participation Series 2005 A and B.
- July 28, 2016 – to refinance Assessment District bonds through a direct private placement.
- February 29, 2019 – to issue Special Tax Bonds, CFD Monte Bella 2019 .

The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the City’s Debt Service and Enterprise Funds. A financial report is not issued by the Authority.

***B. Financial Statement Presentation***

In recent years, the City’s General Fund has been managed carefully in order to balance its revenues and expenditures. The City has achieved adequate liquidity through the passage of an additional transaction and sales tax initiative (Measure G and Measure E) coupled with an increase in property taxes resulting from the recovery of the local real estate market values from the decline experienced in 2009.

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

Government-Wide Financial Statements – The government-wide financial statements, i.e. the statement of net position and the statement of activities, display information about the primary government (City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities, which are normally supported by taxes and inter-governmental revenues and other non-exchange

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a business-type activity or governmental function and; therefore, are clearly identifiable to a particular activity or function. Program revenues include 1) fines, fees and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements – The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category are presented (Governmental, Proprietary and Fiduciary). The emphasis of the fund financial statements are on major governmental and enterprise funds of the City and are reported separately in the accompanying financial statements. All remaining governmental funds are separately aggregated and reported as non-major funds in the accompanying financial statements.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The City reports the following major governmental funds:

- General, Measure E, & Measure G – This fund is the primary operating fund of the City. It accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General, Measure E, & Measure G Fund supports essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.
- Assessment District Debt Service - This fund is used to accumulate monies for payment of the City's Assessment Districts Improvement Bonds. Debt service is financed with special assessments levied against property owners within the respective improvement districts.
- Special Construction Assistance – This fund accounts for proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects.

The City reports the following major enterprise funds:

- Airport Fund - This fund accounts for the operations of the City owned airport. The activities necessary to provide such service are accounted for in the fund, including, but not limited to, operations, maintenance, financing and related debt service, and billing and collection.
- Industrial Waste Fund - This fund accounts for the operations of the City operated Industrial Waste Water treatment facility.

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

- Municipal Golf Courses Fund - This fund accounts for the operations of Fairways and Twin Creek golf courses.
- Sanitary Sewer Fund - This fund accounts for the maintenance of the City's sanitary sewer collection system, which is funded from a surcharge on the Monterey Regional Water Pollution Control Agency sewer user fees.
- Storm Sewer Fund - This fund accounts for the maintenance of the City's storm drainage system and the street sweeping program. This program was funded with a storm sewer fee that was declared by the Court as invalid under Proposition 218. Until alternative funding is secured, the program is funded with a combination of general funds and gas tax funds. In addition, the program is funded with a street sweeping surcharge on garbage collection billings.
- Landfill Garbage Surcharge Fund - This fund accounts for the installment sale of the Crazy Horse landfill site to the Salinas Valley Solid Waste Authority.
- Water Utility Fund - This fund accounts for the repairs and maintenance of the water well located at Hitchcock Road. Water users fund the costs of the water well repairs and annual operating costs.
- Downtown Parking District Fund - This fund accounts for the operations of the City's parking facilities. The activities necessary to provide such services are accounted for in the fund, including, but not limited to, operations, maintenance, financing and related debt service, and billing and collection.
- Permit Services Fund - This fund is used to account for the revenues and expenditures associated with providing permitting services to the community.

The City reports the following additional fund types:

- Internal Service Fund (a proprietary fund type) accounts for the services provided to internal users (other departments or agencies).
- Fiduciary Fund accounts for the assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The private-purpose trust funds accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and other trust arrangements not properly reported in a pension trust. The pension trust funds account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plan, other post-employment benefit plans, other employee benefit plans. The agency fund is used to account for assets held in an agency capacity by the City for individuals, private organizations, other governments and/or other funds.



CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

***C. Measurement Focus and Basis of Accounting***

Measurement focus and basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.

The government-wide financial statements and proprietary 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 imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental funds are reported using the current financial resources measurement focus. This focus is on the determination of, and changes in financial resources, and generally only current assets and current liabilities are included in the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. For this purpose, the City considers revenues as available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. However, principal and interest on long-term debt and certain estimated liabilities, such as compensated absences, and self-insurance claims, are recorded only when payment is due.

In the governmental funds, revenues from taxes, franchise fees, investment income, state and federal grants and charges for services associated with the current fiscal period are all considered to be susceptible to accruals. Such accruals have been recognized as revenues in the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply restricted cost reimbursement grant resources to such programs, followed by restricted categorical block grants, and then by unrestricted general revenues.

***D. New Accounting Pronouncements***

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City early implemented the requirements of this statement; see note 21 for effect of early implementation.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This statement had no effect on these financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement 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 requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This statement had no effect on these financial statements.

CITY OF SALINAS  
Notes to Basic Financial Statements  
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The City has not determined the effects on the financial statements for the following GASB Statements, and is currently analyzing its accounting and financial reporting practices to determine the potential impact:

GASB Statement No. 87 – In June 2017, GASB issued Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90 – In April 2018, GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 91 – In May 2019, GASB issued 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

***E. Fair Value Measurement***

The City applies GASB Statement No. 72, *Fair Value Measurement and Application* for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are significant other observable inputs, and level 3 inputs are significant unobservable inputs.

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

***F. Interest Earnings***

Interest received on time deposits and investments is prorated quarterly to the following funds generally based on an average of three month ending cash balances. Interest earned by other funds under this method is allocated to the General Fund.

- General, Measure E & G
- Development Fees
- Emergency Medical Services
- Asset Seizure
- Lighting, Landscape and Maintenance District
- Municipal Art
- Measure X
- SB1
- Local Public Safety
- Gas Tax
- SRA Public Improvement Grant
- Affordable Housing
- COP 1999 & COP 2004 Consolidation (2014)
- Energy Improvement Lease
- COP 2005 A & B 2015 Refunding
- Assessment District Reserve
- Special Aviation
- Assessment District Project
- Airport
- Industrial Waste
- Municipal Golf Courses
- Sanitary Sewer
- Storm Sewer
- Permit Services
- Landfill Garbage Surcharge
- Internal Service Funds
- Pension Trust Fund
- Successor Agency Trust Fund

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

***G. Cash and Investments***

Cash and Cash Equivalents - Cash and cash equivalents are considered to be amounts in demand deposits, and short-term investments with original, maturity of three months or less from the date of acquisition. For purposes of both the balance sheet and statements of cash flows, cash and cash equivalents include not only currency on hand, but deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include restricted cash and money market funds held by fiscal agents. For purposes of cash flows, the City considers all liquid market investments with maturities of one year or less at time of purchase to be cash equivalents. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Investment held in Local Agency Investment Fund - The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as a result of changes in interest rates.

LAIF determines fair value on its investments portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The City valued its investments in LAIF as of June 30, 2019, by multiplying its account balance with LAIF times a fair value factor determined by LAIF value for all LAIF participants by total aggregate amortized cost.

Other Investments - Investments in nonparticipating interest earning contracts (certificate of deposits) are reported at cost, and all other investments are reported at fair value. Fair value is defined as the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices.

Deferred Compensation - The Deferred Compensation Plan is invested in deeds of trust secured by real or personal property and in real estate holdings. The trust deeds are considered nonparticipating interest earning investments and are reported at fair market value. See Note 13 for additional information on the various deferred compensation plans.

***H. Restricted Cash and Investment with Fiscal Agents***

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

***I. Receivables***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Invoices that remain unpaid after 90 days may be referred to collections. An invoice sent to collection is written off.

***J. Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings***

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses.

In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund and fiduciary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Original issue premiums are amortized using the straight-line method over the life of the bonds. Gains or losses from refunding of debt are reported as deferred inflows or outflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of these balances is recorded as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***K. Special Assessment Districts***

Special assessments are recorded as receivables when they become a lien on property. Special assessments not considered available are recorded as receivables and offset by unearned revenues. In general, special assessments and special tax bonds are fully secured by liens against the privately owned properties benefited by the improvement for which the bonds were issued. There is no reserve for delinquent receivables since priority liens exist against the related properties and hence the City's management believes value will ultimately be received by the City.

***L. Interfund-fund Transactions***

Interfund transactions are reflected as loans, services provided, reimbursements and/or transfers. Loans and balances related to unsettled service transactions are reported as receivables and payables as appropriate, are subject to elimination upon consolidation of similar fund types, and are referred to as either "due to/from other funds," i.e., the current portion of interfund loans and unsettled service transactions, or "advances to/from other funds," i.e., the noncurrent portion of interfund loans. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

Services provided are deemed to be at market or near market rates and are treated as revenues and expenditures/expenses. Reimbursements are defined as when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

***M. Inventory of Supplies***

Inventory is valued on a first-in-first-out basis. Inventory in the General Fund consists of expendable supplies held for consumption by all departments of the City. The cost is recorded as an expenditure or expense in the appropriate fund at the time individual inventory items are withdrawn for use (consumption method). The General Fund inventory amount is recorded as a nonspendable portion of fund balance because such assets are not available for current operations.

***N. Land Held for Resale***

Land held for resale is being carried at cost, but no greater than the net realizable value. In the fund financial statements, this amount is recorded as a restricted portion of fund balance due to externally imposed grantor restrictions.

***O. Restricted Assets***

Assets that are restricted for specific uses by bonded debt requirements, grant provisions or other requirements are classified as restricted because their use is limited by applicable bond covenants or agreements. In addition, funds have been restricted for future capital improvements by City resolution.

***P. Capital Assets***

Capital assets include land, buildings, improvements, vehicles and equipment, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives in excess of one year. Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements, the proprietary funds' statement of net position, and the private-purpose trust fund. Capital assets are defined as assets with an initial individual cost of more than \$10,000 for general capital assets and \$100,000 for major infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, market based entry price at the time of contribution. Capital outlay is recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization.

CITY OF SALINAS  
Notes to Basic Financial Statements  
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Buildings, improvements, infrastructure, vehicles and equipment, and furniture and fixtures are depreciated using the straight-line method (depreciation is calculated starting with the month following the date the asset was placed in service) over the following estimated useful lives:

Buildings	20-50 years
Other improvements	15-45 years
Infrastructure	10-50 years
Equipment	5-20 years

***Q. Encumbrances***

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Losses on refunding are reported as deferred outflows of resources in the government-wide financial statements.
- Deferred outflows of resources related to pensions are reported in the government-wide financial statements as described further in Note 14.
- Deferred outflows of resources related to OPEB are reported in the government-wide financial statements as described further in Note 15.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Unavailable revenues are reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from grants, assessment receivable, and long-term notes receivable. These amounts are reported as unavailable and recognized as an inflow of resources in the period that the amounts become available.
- Gains on refunding are reported as deferred inflows of resources in the government-wide financial statements.



CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

- Deferred inflows of resources related to pensions are reported in the government wide financial statements as described further in Note 14.
- Deferred inflows of resources related to OPEB are reported in the government wide financial statements as described further in Note 15.

***S. Compensated Absences***

Vacation, compensatory time, and related benefits are accrued as determined by the agreement between the City and the respective employees' collective bargaining group. For governmental funds, compensated absence obligations are recorded in the appropriate governmental funds when due. The portion not currently due is recorded in the government-wide financial statements. For proprietary funds, compensated absences are expensed when earned by employees. At year-end, the accrued but unpaid compensated absence obligations are recorded as current and non-current liabilities in the appropriate proprietary funds.

Eligible employees may accrue a maximum of 600 annual leave hours (75 days). Any hours accumulated in excess of 600 hours are paid at the employee's adjusted hourly rate of pay. For the Firefighter group the maximum is 840 hours for 56 hour shift employees and 600 for 40 hour shift employees. Employees with fewer than 20 years of service may request pay in lieu of annual leave up to a maximum of 10 days. Employees with more than 20 years of service may request a maximum of 15 days pay in lieu of annual leave.

***T. Public Employees Retirement System (CalPERS)***

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

***U. Unearned Revenue***

Governmental funds report unearned revenue in connection with revenues that are not considered earned as of year-end. For additional information on unearned revenues, see Note 20.

***V. Claims and Judgments***

Claims and judgments are recognized as expenditures when it is probable that the liability has been incurred and the amount of the loss can be reasonably estimated. This liability is recorded in the internal service fund that accounts for the City's self insurance activities.

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

***W. Long-Term Debt***

In the Government-wide Financial Statements and the proprietary fund types in the Fund Financial Statements, long-term debt and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net positions. Bond premiums and discounts are deferred and amortized over the life of the bonds using effective interest methods. Bonds payable are reported net of the applicable bond premium or discount. In the governmental funds statement of revenue, expenditures and changes in fund balance, issuance of debt is recorded as another financing source (use) in the respective fund. Issuance costs and payment of principal are reported as debt service expenditures.

***X. Net Position***

Net position represents total assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt, 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, excluding unspent debt proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

- Net Investment In Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- Restricted Net Position - This category represents net position that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents net amounts that do not meet the criteria for “restricted” or “net investment in capital assets.”

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

***Y. Fund Balance***

Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the financial statements reporting for governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. Fund balance for the City's governmental funds consists of the following categories:

- *Nonspendable Fund Balance* - includes amounts that are not in a spendable form, such as inventories, prepaid items, and long-term loans and notes receivables. It also includes amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity, such as the principal of an endowment fund.
- *Restricted Fund Balance* - includes amounts reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* - includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of an ordinance by the City Council, the highest level of decision making authority of the City. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- *Assigned Fund Balance* - includes amounts that are intended to be used by the City for specific purposes through City Council budgetary action, which include the approval of appropriations and revenue sources pertaining to the next fiscal year's budget. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purpose.
- *Unassigned Fund Balance* - includes amounts within the General, Measure E, & Measure G Funds, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories, unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in nonspendable, restricted, and committed fund balance.

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

***Z. Property Taxes***

Property taxes are collected on behalf of and remitted to the City by the County of Monterey (the "County"). The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13).

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

The County assesses property values, levies, bills, and collects the related property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

The City has not elected to participate in the “Teeter Plan” offered by the County whereby cities receive 100% of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes. The City retains the right to any interest and penalties collected on the related delinquent taxes. Accordingly, property tax revenues are recognized 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.

General property taxes are based on either a flat 1% rate applied to the fiscal year 1976 full value of the property or on 1% of the sales price of the property on sales transactions and construction that occur after the fiscal year 1976 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year depending on increases in the consumer price index.

**AA. Self-Insurance**

The City is self-insured for workers’ compensation, general, automobile, and public liability claims. The City’s estimated liability for claims as of June 30, 2019 is based on the claim manager’s estimate of probable losses plus an amount estimated for incurred but not reported claims. An Internal Service Fund is used to account for the collection of premiums from various City departments related to workers’ compensation claims and general claims liabilities. Premiums are established based on historical claims experience. Additionally, the City contracts with third party administrators for claims management.

**BB. Use of Estimates**

A number of estimates and assumptions relating to the reporting of revenues, expenditures/expenses, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

2. Stewardship, Compliance and Accountability:

***A. Budgeting***

The Budget is prepared by the City Manager and adopted by City Council. Formal budgetary integration was employed as a management control device during the fiscal year for the General, Measure E & Measure G Fund, Special Revenue Funds and Capital Projects Funds.

The City Manager may transfer budget appropriations between departments and Department Directors may transfer appropriations between programs and accounts within their individual departments and divisions, but only the Council by resolution may appropriate funds from reserves or fund balances.

Budgets for General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Reserves for future lease commitments have been established for accounting purposes and the fund balance is reserved for the total lease commitment consistent with budget policies.

Budget policy excludes taxes, interest, and accounts receivable assets, which are not currently available resources for budget purposes, and condemnation deposits which are returned upon right of way acquisition.

Expenditures may not legally exceed budgeted appropriations at the government level. Budgeted amounts shown are as originally adopted or as amended by the City Council during the year. Additional supplementary appropriations were adopted during the mid-year review.

Appropriations lapse at fiscal year end and then are rebudgeted for the coming year. Project-length financial plans are adopted for all capital projects funds and appropriations are carried forward until project completion. Grant funds are carried forward until the grant expires.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are recorded as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

For additional information on budgetary policy and control see Required Supplementary Information.

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

***B. Deficit Fund Balance***

At June 30, 2019, the following funds had a deficit fund balance or deficit net position:

Major Funds

Business-type Activities

Municipal Golf Courses Fund	\$ 9,006,787
Downtown Parking District Fund	\$ 5,088,119

Non-Major Funds

Governmental Activities

Special Revenue Funds

Housing and Urban Development Grant	\$ 230,859
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Debt Service Funds

2018 Lease-PS Building Police	\$ 3,163
2018 Lease-El Gabilan Library	\$ 1,800
Assessment District Administration	\$ 2,178

Enterprise Funds – Municipal Golf Courses Fund

The deficit net asset balance of \$9,006,787 is a result of the long-term bonds payable for the 2015A Certificates of Participation and the 2008 Certificates of Participation amounting to \$3,320,000 and \$4,360,000, respectively, exceeding the related assets. This deficit will continue to decline over time as the bonds are paid back.

Enterprise Funds – Downtown Parking District Fund

The deficit net position in the Downtown Parking District Fund of \$5,088,119 is a result of the long-term lease payable amounting to \$10,675,000. This deficit will continue to decline over time as the lease payable is collected.

Non-Major Special Revenues Fund

The deficit net position in the non-major special revenue funds is a result of deferred inflows of resources from housing loans and grants receivable that are not considered available at June 30, 2019. The deficit will decline as loans are paid off and grant funds become available.

Non-Major Debt Service Funds

The deficit net position in the non-major debt service funds is the result of timing of transfers from other funds. This deficit will decline as transfers are made to reimburse the non-major debt service funds.

3. Debt Compliance:

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

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

4. Cash and Investments:

The City's cash and investments at June 30, 2019 are included in the accompanying basic financial statements as follows:

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	Total
Cash and Investments	\$ 147,567,821	\$ 17,463,649	\$ 165,031,470	\$ 13,908,269	\$ 178,939,739
Restricted Cash and Investments	856,472	1,965,948	2,822,420	1,591,907	4,414,327
Total Cash and Investments	<u>\$ 148,424,293</u>	<u>\$ 19,429,597</u>	<u>\$ 167,853,890</u>	<u>\$ 15,500,176</u>	<u>\$ 183,354,066</u>

Cash and investments at June 30, 2019 consisted of the following:

Cash and cash equivalents	
Demand accounts at banks	\$ 5,751,961
Money market	1,964,531
Deposits held in trust by fiscal agent	211,813
Money market held in trust by fiscal agent	38,323,134
State local agency investment fund (LAIF)	114,633,346
Petty cash and revolving fund	15,000
Deferred compensation	
State local agency investment fund (LAIF)	2,291,331
	<u>163,191,116</u>
Investments	
Investments held in trust by fiscal agent	13,585,725
Deferred compensation	
Investment in trust deeds and properties	6,577,225
	<u>20,162,950</u>
Total cash and investments	<u>\$ 183,354,066</u>

Deposits

At June 30, 2019, the carrying amount of the City's deposits was \$5,751,961. The bank balance was \$8,274,394. The difference is due to outstanding checks and deposits in transit. All bank balances are insured or collateralized.

CITY OF SALINAS  
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For the Fiscal Year Ended June 30, 2019

Investments

Investments permitted by the City’s investment policy include the following:

- Certificates of Deposit
- Repurchase Agreements
- Bankers Acceptances
- Guaranteed Investment Contracts
- U.S. Treasury Bills and Notes
- State of California Local Agency Investment Fund
- Government Agency Securities
- Passbook Savings Accounts
- Mutual Funds
- Interest Bearing Checking Accounts
- Commercial Paper

The Deferred Compensation Plan is permitted by City resolution to invest in deeds of trust secured by real or personal property.

Investment income from cash and investments held by fiscal agents are credited directly to the related funds.

The City participates in the California Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. At June 30, 2019, the total fair value amount invested by all public agencies in LAIF is \$106.6 billion managed by the State Treasurer. Of that amount, 1.77% is invested in medium-term and short-term structured notes and asset-back securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the Authority’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2019, the City had the following investment and maturities:

	Maturities			Total
	0-12 months	1-5 years	over 5 years	
Investment Agreements	\$ 5,347,045	\$ 8,238,680	\$ -	\$ 13,585,725
Trust Deeds-Def Comp	-	6,577,225	-	6,577,225
<b>Total</b>	<b>\$ 5,347,045</b>	<b>\$ 14,815,905</b>	<b>\$ -</b>	<b>\$ 20,162,950</b>



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Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses from rising interest rates, the City's investment policy limits the maturity of investments in accordance with Government Code Sections 53601(a)-(n) and 53636(a)-(m). It is the City's policy to ladder investments so that there are always investments coming due to meet cash flow requirements. Because the Local Agency Investment Fund as of June 30, 2019 had an average life of 173 days, it was presented as an investment with a maturity of 0-12 months. However, LAIF allows the City to make withdrawals of any amount within 24 hours. Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is provided by the preceding table that shows the distribution of the City's investment by maturity.

Summarized below are the ratings of the City's cash and investments:

	Fair Value	S&P	Moody's	% of Total
Demand accounts at banks	\$ 5,751,961	NR	NR	3.14%
Money Market at Rabobank	1,964,531	A-1	Aa3	1.07%
Deposits held in trust by fiscal agent	211,813	BBB+	Baa2	0.12%
Money Market held in trust by fiscal agent				
Fidelity Investment MM Gov	1,754,125	AAAm	Aaa-mf	0.96%
Belmont Bk + TR CO Chicago	243,808	NR	NR	0.13%
CELTIC BK Salt Lake City	243,844	NR	NR	0.13%
Third Fed Svgs + LN Assn	249,336	NR		0.14%
Freyfus Gov Cash Management	301,112	NR		0.16%
Capital GTY	1	NR	NR	0.00%
Live Oak BKG CO Wilmington	232,492	NR		0.13%
Rabobank	2	A-1	Aa3	0.00%
Insurance Reserve	413,621	NR	NR	0.23%
Wilmington Trust, NA	34,884,793	A	Aa3	19.03%
Petty cash and revolving fund	15,000	NR	NR	0.01%
Local Agency Investment Fund	116,924,677	NR	NR	63.74%
Investment Agreements				
Municipal bonds	252,213	AA	NR	0.14%
Corporate bonds	999,900	AA-	Aa3	0.55%
	1,003,290	A-	A2	0.55%
	1,004,250	AA-	Aa2	0.55%
	1,003,530	AA+	Aaa	0.55%
	999,140	A-	A2	0.54%
Fed Home Loan Mortgage	2,000,890	AA+	Aaa	1.09%
Certificates of deposit	5,347,045	NR	NR	2.92%
Westdeutsche Landesbank	975,467	NR	NR	0.53%
Trust Deeds-Def Comp	6,577,225	NR	NR	3.59%
Total	<u>\$ 183,354,066</u>			<u>100.00%</u>

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over concentration in a specific maturity sector or specific investments. The City's portfolio is detailed in the preceding table (see above).

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy limits safekeeping of investments to third-party custody.

All of the City's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 or collateralized with pledge securities held in the trust department of the financial institution in the City's name.

Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

CITY OF SALINAS  
Notes to Basic Financial Statements  
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The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in governmental investment pools, such as LAIF, are made on the basis of \$1 and not fair value. Accordingly, the City's measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input. Non-negotiable FDIC-insured bank certificates of deposit are priced at par.

The following is a description of the valuation methods and assumptions used by the City to estimate the fair value of its investments:

- When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.
- The City held one type of investment that is measured using Level 3 inputs, Trust Deeds. The City administers a Trust Deposit Fund that includes a Deferred Compensation Plan funded solely by the voluntary salary reductions. The Trust Deed Program is managed on a cash basis with interest posted when received and expenditures posted when paid. Trust Deed notes secured by property taken back in foreclosure and held for resale, are valued by independent real estate professionals (market approach), and trust deed notes are valued at their present value (income approach). The valuations are considered Level 3. The value of properties held for resale are reduced for cost of sales. The notes (loans) are valued based on amounts investors would likely pay for notes with interest rates ranging from 6% to 11% discounted to provide loan to values ranging from 70% to 50% depending on property type and condition, borrowers payment history, and term remaining on note.

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

There have been no changes in the methods and assumptions used at June 30, 2019. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. City management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City had the following recurring fair value measurements as of June 30, 2019:

Investment Type	Total	Level 1	Level 2	Level 3
Investment Agreements				
Bonds	\$ 7,263,213	\$ 7,263,213	\$ -	\$ -
Certificates of deposit	5,347,045	-	5,347,045	-
Equities	975,467	975,467	-	-
Trust Deeds-Def Comp	6,577,225	-	-	6,577,225
	20,162,950	<u>\$ 8,238,680</u>	<u>\$ 5,347,045</u>	<u>\$ 6,577,225</u>

Investments Not Measured at Fair Value

Demand accounts at banks	5,751,961
Money Market at Rabobank	1,964,531
Deposits held in trust by fiscal agent	211,813
Money Market Funds	
Fidelity Investment MM Gov	1,754,125
Belmont Bk + TR CO Chicago	243,808
CELTIC BK Salt Lake City	243,844
Third Fed Svgs + LN Assn	249,336
Freyfus Gov Cash Management	301,112
Capital GTY	1
Live Oak BKG CO Wilmington	232,492
Rabobank	2
Insurance Reserve	413,621
Wilmington Trust, NA	34,884,793
Petty cash and revolving fund	15,000
Local Agency Investment Fund	<u>116,924,677</u>
Total Investments	<u>\$ 183,354,066</u>

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

5. Restricted Assets:

Cash and investments of \$2,822,420 are recorded as restricted assets at June 30, 2019 as follows:

Assessment District Debt Service:		
Debt Service Fund - restricted to cover expenses of debt	\$	141,739
Non-major Capital Projects Fund:		
Restricted for debt service payments		301,112
Enterprise Fund:		
Restricted to cover expenses of debt service		
Golf Courses Fund	\$	345,748
Sanitary Sewer	1,620,200	1,965,948
Internal Service Fund:		
Restricted for insurance claims		413,621
Total Restricted Assets		\$ 2,822,420

6. Taxes Receivable:

Taxes receivable recorded in the General, Measure G & E Fund of \$15,139,155 represent amounts due for the quarter ended June 30, 2019 for the following taxes:

Sales Tax	\$	5,210,929
Measure E Transaction and Use Tax		2,233,177
Measure G Transaction and Use Tax		4,484,779
Utility Users Tax		1,255,006
Franchise Tax		826,472
Transient Occupancy Tax		925,426
Other Taxes		117,350
Property Transfer Tax		86,016
Total		\$ 15,139,155

7. Assessment Receivable:

Debt Service Fund – Assessments receivable recorded in the Assessment District Debt Service Fund of \$5,645,000 at June 30, 2019, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts. Cash and investments at June 30, 2019 of \$2,881,099 are available to make bond and interest payments of \$893,325 that are due on September 1, 2019.

Assessment receivables in the amount of \$2,140,000 are not expected to be collected within the subsequent year.

CITY OF SALINAS  
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For the Fiscal Year Ended June 30, 2019

8. Due From Outside Agencies:

Due from outside agencies consists of the following:

	Federal	State	Other	Total
Governmental Activities:				
General Fund:				
Welcome Center	\$ -	\$ -	\$ 75,000	\$ 75,000
	-	-	75,000	75,000
Special Revenue Funds:				
Dept. of Housing & Urban Development:				
CDBG Improvement Program	207,362	-	-	207,362
Emergency Shelter Grant	503,196	-	-	503,196
Board of State & Community Corrections	-	-	86,259	86,259
Cable Franchise	-	-	43,899	43,899
California Highway Users Tax	-	237,217	-	237,217
County of Monterey	-	-	2,466,432	2,466,432
Department of Parks & Recreation	-	3,405	-	3,405
Federal Drug Enforcement	29,064	-	-	29,064
Federal Emergency Management Agency	163,675	-	-	163,675
National Highway Traffic Safety Administration	-	-	22,407	22,407
SB1 Road Maintenance & Rehab	-	529,491	-	529,491
U.S. Department of Justice	102,700	-	-	102,700
U.S. Department of Homeland Security	3,185	-	-	3,185
	<u>1,009,182</u>	<u>770,113</u>	<u>2,618,997</u>	<u>4,398,292</u>
Capital Projects Funds:				
California Department of Transportation	-	47,881	-	47,881
Developers	-	-	1,378,412	1,378,412
Federal ATP Grant	583,205	-	-	583,205
Federal Aviation Administration	918,793	-	-	918,793
Federal HSIP	66,311	-	-	66,311
Monterey Bay Air Resource District	-	164,835	-	164,835
RSTP	-	168,559	-	168,559
State Dept. of Forestry & Fire	-	46,471	-	46,471
State Water Grant	-	26,559	-	26,559
Strategic Growth Council	-	273	-	273
Sustainable Communities Grant	319	-	-	319
Trade Corridor Improvement Fund	-	40,232	-	40,232
	<u>1,568,628</u>	<u>494,810</u>	<u>1,378,412</u>	<u>3,441,850</u>
Primary Government Totals	<u>\$2,577,810</u>	<u>\$1,264,923</u>	<u>\$4,072,409</u>	<u>\$7,915,142</u>

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

9. Interfund Transactions:

Interfund Receivables/Payables (Due to/Due from) – The composition of interfund balances as of June 30, 2019 was as follows:

<u>Due From:</u>	<u>Due To</u>			<u>Total</u>
	<u>Governmental Activities</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Internal Service</u>	
Primary Government				
Governmental Activities:				
Major Funds:				
General, Measure G & E	\$ -	\$ 346,992	\$ 15,396,150	\$ 15,743,142
Special Construction Assistance	567,156	-	-	567,156
Non-Major Funds:				
Emergency Medical Services	-	14,557	-	14,557
Lighting, Landscape & Maintenance	42,850	5,131	-	47,981
Measure X Transport Safety & Inv Plan	-	25,395	-	25,395
SB1 Road Maintenance & Rehab	-	7,890	-	7,890
Gas Tax	-	69,777	-	69,777
Traffic Safety	20,184	-	-	20,184
Grants	903,471	2,280	-	905,751
2018 Lease - PS Building - Police	3,163	-	-	3,163
2018 Lease - El Galiban Library	1,800	-	-	1,800
Development Fee	269	29,688	-	29,957
Assessment District Administration	2,178	-	-	2,178
Assessment District Project	285,966	-	-	285,966
Total Governmental Activities	<u>1,827,037</u>	<u>501,710</u>	<u>15,396,150</u>	<u>17,724,897</u>
Business Type Activities:				
Airport	-	20,128	-	20,128
Industrial Waste	-	8,625	-	8,625
Municipal Golf Courses	75,509	-	-	75,509
Sanitary Sewer	-	9,841	-	9,841
Downtown Parking District	1,290,641	-	-	1,290,641
Permit Services	-	20,332	-	20,332
Total Business Type Activities	<u>1,366,150</u>	<u>58,926</u>	<u>-</u>	<u>1,425,076</u>
Total Primary Government	<u>\$ 3,193,187</u>	<u>\$ 560,636</u>	<u>\$ 15,396,150</u>	<u>\$ 19,149,973</u>

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

Interfund Transfers – Interfund transfers are legally authorized transfers between funds in which one fund is responsible for the initial receipt of funds and another fund is responsible for the actual disbursements. The composition of interfund balances as of June 30, 2019 was as follows:

	Operating Transfers In	Operating Transfers Out	Transfers For:
General Fund	\$ 4,298,230	\$22,554,977	Capital projects, debt service, & other operating costs
Special Revenue Funds:			
Emergency Medical Services	640,000	140,530	Capital projects & operating costs
Lighting, Landscape & Maintenance	-	100,151	Capital projects & debt service
Local Public Safety	-	298,447	Capital projects
Gas Tax	-	3,683,596	Capital projects & street maintenance
Traffic Safety	-	250,000	Operating costs
Vehicle Abatement Program	50,000	-	Operating costs
Development Fee	-	1,019,173	Capital projects
Measue X Transport Safety & Inv Plan	-	1,807,387	Capital projects
Housing and Urban Development	29,375	138,753	Grant projects
SB1 Road Maintenance & Rehab	-	1,211,995	Capital projects
	<u>719,375</u>	<u>8,650,032</u>	
Debt Service Funds:			
2014 COP Consolidation	-	529,111	Debt Service
COP 2018B T.R.I.P	2,218,130	-	Debt Service
Energy Improvement	1,538,870	-	Debt Service
2015 Refunding COP 2005A&B	699,020	-	Debt Service
Assessment District - Debt Svc	220,027	-	Debt Service
Assessment District-Reserve	-	220,027	Debt Service
2019 Spec Tax Bond Monte Bella	438,654	-	Debt Service
	<u>5,114,701</u>	<u>749,138</u>	
Capital Projects Funds:			
Special Aviation	-	1,012,835	Capital projects
Construction Assistance	-	136,403	Capital projects
2019 Spec Tax Bond Monte Bella	-	1,116,330	Debt Service
Capital Project	15,069,385	-	Capital projects
	<u>15,069,385</u>	<u>2,265,568</u>	
Internal Service Funds:			
Risk Management	350,000	-	Operating costs
General Insurance	650,000	-	Operating costs
General Liability-Self Insurance	2,202,900	-	Operating costs
Fleet Maintenance	2,111,704	-	Operating costs
	<u>5,314,604</u>	<u>-</u>	
Total Governmental Activities	<u>30,516,295</u>	<u>34,219,715</u>	
Enterprise Funds:			
Airport	1,072,247	122,862	Capital projects & debt service
Industrial Waste	-	306,426	Capital projects, operating & debt service
Sanitary Sewer	400,171	262,097	Capital projects
Storm Sewer	3,572,617	6,481	Capital projects & operating costs
Landfill Garbage Surcharge	-	385,100	Debt Service
Downtown Parking District	-	35,274	Capital projects & debt service
Permit Services	-	223,375	Capital projects
Total Business Type Activities	<u>5,045,035</u>	<u>1,341,615</u>	
Total Governmental & Business Activities	<u>\$35,561,330</u>	<u>\$35,561,330</u>	



CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

Internal Balances - The composition of advances to/from other funds as of June 30, 2019 was as follows:

<u>Advances From:</u>	<u>Advances To</u>
	<u>Governmental Activities</u>
	<u>General</u>
Business Type Activities:	
Golf Course	\$ 3,300,000
Downtown Parking	2,785,000
Total Business Type Activities	6,085,000
Total Primary Government	\$ 6,085,000

10. Loans Receivable, Net of Allowance:

At June 30, 2019, receivables of the City's major individual funds and non-major funds taken in aggregate, including the applicable allowance for uncollectible accounts are as follows:

Type of Loan	CDBG	Low & Moderate Income Housing Asset	Total Governmental Activities	Fiduciary Funds
Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	\$ -	\$ -	\$ -
Loans funded by federal grants	20,933,492	-	20,933,492	-
Economic development real estate developer and other loans	-	11,590,413	11,590,413	173,900
Less: Allowance for Uncollectibles	(20,723,458)	(11,573,842)	(32,297,300)	-
Total loans, net	\$ 210,034	\$ 16,571	\$ 226,605	\$ 173,900

The City uses funds generated from the former Agency Housing Loans as well as other state and federal funding sources to offer financial assistance to qualified developers, individuals and families by providing loans at “below market” interest rates.

Typical loans and related terms are summarized as follows:

Loan Type	Interest Rates	Due
Affordable Housing	0 - 4%	up to 55 years
Multi-unit rental rehabilitation	3%	5 or more years
First time home buyer	3%	7 to 40 years
Home Improvement	3 - 6%	1 to 30 years

CITY OF SALINAS  
Notes to Basic Financial Statements  
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Loans are secured by first or second in lien-property deeds of trust except for first time homebuyer loans, which are all secured by second deeds of trust. Interest and principal are typically due in installments, except for first time homebuyer, which do not require payments until their maturity dates.

The City has also invested in multi-family rental housing projects serving low to moderate income individuals through subordinate loans with terms of up to 55 years. Generally, these loans are to be repaid through fixed payments or net cash flow payments from project operations and the term and potential risk of each loan varies. Because of the net cash flow feature of these subordinate loans, there is greater risk of variability in the timing of payments and, potentially, a lower probability of eventual repayment on these subordinate loans than on other loan types.

Accordingly, for financial statement purposes, the City has established an allowance account for these loans receivable due to the contingent nature of the repayment schedules of these loans.

11. Land and Properties Held for Resale:

Land and properties held for resale consisted of the following at June 30, 2019:

<u>Special Revenue Fund</u>	
137, 145 & 151 Division Street	\$ 850,000
 <u>Affordable Housing Fund - Central City Housing</u>	
17 & 19 Soledad Street	370,693
9 & 11 Soledad Street	129,738
	500,431
 <u>Affordable Housing Fund -Sunset Avenue Merged Housing</u>	
115 Division Street	335,947
123 Division Street	300,000
923 E. Market Street	521,175
	1,157,122
Total Land and Properties Held for Resale	\$ 2,507,553

CITY OF SALINAS  
Notes to Basic Financial Statements  
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12. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Adjustments/ Retirements	Balance June 30, 2019
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 25,230,652	\$ 996,210	\$ (85,470)	\$ 26,141,392
Construction in progress	120,078,338	11,184,553	(561,607)	130,701,284
Total assets not being depreciated	<u>145,308,990</u>	<u>12,180,763</u>	<u>(647,077)</u>	<u>156,842,676</u>
Capital assets, being depreciated:				
Buildings and improvements	45,286,961	664,262	(343)	45,950,880
Improvements other than buildings	15,720,822	45,200	-	15,766,022
Machinery and equipment	32,376,660	4,309,313	2,342,586	39,028,559
Infrastructure	239,494,655	3,713,933	-	243,208,588
Total assets being depreciated	<u>332,879,098</u>	<u>8,732,708</u>	<u>2,342,243</u>	<u>343,954,049</u>
Less accumulated depreciation	<u>(208,526,562)</u>	<u>(10,788,310)</u>	<u>(126,437)</u>	<u>(219,441,309)</u>
Total capital assets being depreciated, net	<u>124,352,536</u>	<u>(2,055,602)</u>	<u>2,215,806</u>	<u>124,512,740</u>
Governmental Activities capital assets, net	<u>\$ 269,661,526</u>	<u>\$ 10,125,161</u>	<u>\$ 1,568,729</u>	<u>\$ 281,355,416</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,632,339	\$ -	\$ -	\$ 3,632,339
Construction in progress	6,426,682	1,733,045	-	8,159,727
Total assets not being depreciated	<u>10,059,021</u>	<u>1,733,045</u>	<u>-</u>	<u>11,792,066</u>
Capital assets, being depreciated:				
Buildings and improvements	27,266,967	-	-	27,266,967
Improvements other than buildings	21,130,339	677,677	-	21,808,016
Machinery and equipment	7,925,352	264,170	(32,072)	8,157,450
Infrastructure	236,689,231	-	-	236,689,231
Total assets being depreciated	<u>293,011,889</u>	<u>941,847</u>	<u>(32,072)</u>	<u>293,921,664</u>
Less accumulated depreciation	<u>(181,257,607)</u>	<u>(6,296,733)</u>	<u>32,072</u>	<u>(187,522,268)</u>
Total capital assets being depreciated, net	<u>111,754,282</u>	<u>(5,354,886)</u>	<u>-</u>	<u>106,399,396</u>
Business-type Activities capital assets, net	<u>\$ 121,813,303</u>	<u>\$ (3,621,841)</u>	<u>\$ -</u>	<u>\$ 118,191,462</u>

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Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General government	\$ 1,275,395
Police	1,716,933
Fire	972,977
Public works, including infrastructure assets	6,203,914
Recreation and parks	495,083
Library	<u>124,008</u>
Total depreciation expense - governmental activities	<u>\$ 10,788,310</u>
Business-type activities:	
Airport	\$ 884,612
Industrial waste	366,544
Municipal golf courses	303,615
Sanitary sewer	1,458,576
Storm sewer	2,671,929
Water utility	10,045
Downtown parking	587,634
Permit Services	<u>13,778</u>
Total depreciation expense - business-type activities	<u>\$ 6,296,733</u>

13. Deferred Compensation Plan:

The City has four deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Small Business Job Protection Act of 1996 requires the establishment of a trust or similar vehicle to ensure that the assets of Deferred Compensation Plans under the Internal Revenue Code Section 457 are protected and used exclusively for the benefit of Plan participants and/or their beneficiaries. According to these laws the City established Employer Trust arrangements for each of the Plans before January 1, 1999.

The City has established Employer Trust agreements with ICMA Retirement Corporation, Mass Mutual Financial Group, and Central Coast Credit Union. In 1998, the City Council adopted a Resolution amending the City administered deferred compensation plans to conform to the new law protecting the plan participant assets from any claim against the City. Under the Trust arrangement, individual accounts maintained by the record-keeper used for receiving contributions and paying distributions must be subject to the Trust. The existence of the Trust does little to change the Plan structure except to add a layer of protection for money set aside for the employee against claims of the Employer's creditors. The law also allows an increase in the amount a participant may contribute to differ each year, based on changes in the consumer price index.

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International City Manager’s Association (ICMA) Retirement Corporation

The International City Manager’s Association Retirement, Inc., Plan had 212 participants and a balance of \$40,271,609 at June 30, 2019. All employees are eligible to participate through voluntary salary deduction. Some management employees participated in lieu of participation in the New York Life Retirement Program until June 19, 1995 when a qualified 401(a) retirement program was established. These assets are not reported on the City’s financial statements at June 30, 2019 pursuant to the Employer Trust established by the City with ICMA Retirement Corporation during November 1997.

Trust Deed Program

The City administers a Trust Deposit Fund that includes a deferred compensation plan funded solely by the voluntary salary reductions. The goal of the Trust Deed program is to invest participants’ funds in short-term deeds of trust (notes). This investment option is administered within the City of Salinas by the City’s appointed administrator of the Deferred Compensation Plan. Loans are based on equity after obtaining a fee appraisal. All property is physically inspected and the loan package is reviewed and approved/disapproved by a Deferred Compensation Committee. All employees are eligible to participate. The Plan had 280 participants and a balance of \$8,871,549 in net assets at June 30, 2019. The balance in these plans is available to employees only upon termination, retirement, death or unforeseen emergency. While the Employer Trust established by the City on December 15, 1998 protects these funds from creditors of the City, because the City administers the plan assets, they are included in the City’s financial statements at June 30, 2019.

The Trust Deed Program is managed on a cash basis with interest posted when received and expenditures posted when paid. Interest and expenditures are allocated to participants based on month end cash balances. Trust deed notes secured by property taken back in foreclosure, are reevaluated based on the current market value of the property. When the value of property taken back in foreclosure is less than the note secured by that property, the note is written-down to current market value (less foreclosure and sales expenses) of the property. Gains are recognized only when properties are sold. Gains or losses are allocated to plan participants based on month end cash balances.

As of June 30, 2019, pursuant to GASB 72, properties held for resale were valued by independent real estate professionals (market approach) and trust deed notes were valued at their present value (income approach). The valuations are considered Level 3. The value of properties held for resale are reduced for cost of sales. The notes (loans) are valued based on amounts investors would likely pay for notes with interest rates ranging from 6% to 11% discounted to provide loan to values ranging from 70% to 50% depending on property type and condition, borrowers payment history and term remaining on note. The change in net realizable values are reflected in the Statement of Changes in Net Position – Fiduciary Funds (page F-44).

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Central Coast Federal Credit Union (CCFCU)

This third deferred compensation plan was established in August 1993 with Central Coast Federal Credit Union. The plan funds are backed by the full faith and credit of the U.S. Government and are also insured by the National Credit Union Administration (NCUA), an agency of the federal government for up to \$250,000. Central Coast collateralizes any amounts invested in their savings accounts in excess of NCUA insurance limits in accordance with applicable law. As of June 30, 2019 there were 82 participants with a balance of \$5,507,993. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

Mass Mutual Financial Group

The fourth Deferred Compensation plan was established in September 2000 with Mass Mutual Financial Group. This retirement savings plan enables employees to defer a portion of their current compensation for payment at a later date, generally retirement. Salary deferrals (or contributions) are voluntary, and are made through the ease of payroll deductions. Mass Mutual offers a variety of investment vehicles that vary in risk, term and return to the investment. These investment options are offered through a group variable annuity contract. There were 32 participants with a balance of \$3,147,669 at June 30, 2019. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

14. Retirement Programs:

I. Defined Benefit Pension Plans

The City of Salinas provides defined benefit retirement program benefits through the California Public Employees' Retirement System (CalPERS) and New York Life. As of June 30, 2019, the City was contributing to agent multiple-employer defined benefit pension plans and cost-sharing multiple-employer defined benefit pension plans through CalPERS, and was also contributing to a single-employer defined benefit pension plan through New York Life.

The City's net pension liability as of June 30, 2019 is as follows (recorded as of the measurement date of June 30, 2018 and August 31, 2018):

Net Pension Liability	Governmental Activities	Business-type Activities	Total Net Pension Liability
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 26,007,838	\$ 4,953,876	\$ 30,961,714
Agent Multiple-Employer Safety-Police	100,313,844	-	100,313,844
Cost Sharing Multiple-Employer Safety - Fire (Tier 1 & Tier 2)	45,259,034	-	45,259,034
New York Life - Single Employer	16,095,726	-	16,095,726
Total net pension liability	<u>\$187,676,442</u>	<u>\$ 4,953,876</u>	<u>\$ 192,630,318</u>

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The City's deferred outflows of resources related to pensions as of June 30, 2019 is as follows (recorded as of the measurement date of June 30, 2018 and August 31, 2018):

Deferred Outflows of Resources	Governmental Activities	Business-type Activities	Total Deferred Outflows
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 7,218,070	\$ 1,374,874	\$ 8,592,944
Agent Multiple-Employer Safety-Police	20,418,700	-	20,418,700
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	19,285,787	-	19,285,787
New York Life - Single Employer	1,357,402	-	1,357,402
Total deferred outflows of resources	<u>\$ 48,279,959</u>	<u>\$ 1,374,874</u>	<u>\$ 49,654,833</u>

The City's deferred inflows of resources related to pensions as of June 30, 2019 is as follows (recorded as of the measurement date of June 30, 2018 and August 31, 2018):

Deferred Inflows of Resources	Governmental Activities	Business-type Activities	Total Deferred Inflows
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 1,075,260	\$ 204,801	\$ 1,280,061
Agent Multiple-Employer Safety-Police	1,748,309	-	1,748,309
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	8,937,148	-	8,937,148
New York Life - Single Employer	-	-	-
Total deferred inflows of resources	<u>\$ 11,760,717</u>	<u>\$ 204,801</u>	<u>\$ 11,965,518</u>

The City's total pension expenses for the fiscal year 2018-2019, including employee contributions, normal costs and annual amortization of prior service is as follows:

Pension Expense	Governmental Activities	Business-type Activities	Total Pension Expense
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 3,942,709	\$ 750,992	\$ 4,693,701
Agent Multiple-Employer Safety-Police	15,077,363	-	15,077,363
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	8,931,916	-	8,931,916
New York Life - Single Employer	1,058,278	-	1,058,278
Total pension expense	<u>\$ 29,010,266</u>	<u>\$ 750,992</u>	<u>\$ 29,761,258</u>

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**A. California Public Employees Retirement System**

*Agent Multiple-Employer Defined Benefit Pension Plan*

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

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

The City’s provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
Hire Date	*Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.45%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	7.85%	7.84%
	Police	
Hire Date	*Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	12.00%
Required employer contribution rates	20.96%	20.96%

*\*Plan is closed to new members. Miscellaneous and Safety (Police) members that were CalPERS participants before January 1, 2013, with no break in service over six months, may continue in the plan.*



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Employees Covered – As of June 30, 2017 (valuation date), the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Police</u>
Inactive employees or beneficiaries currently receiving benefits	147	245
Inactive employees entitled to, but not yet receiving benefits	229	108
Active employees	294	153

Contribution Description - Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annual on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Investment and Administrative Expenses; includes inflation
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2017 valuations were based on the results of a 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and requirement rates. The Experience Study report can be found on CalPERS’ website under Forms and Publications.

Change of Assumption – In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

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Discount Rate - The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculations is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website.

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

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

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

<u>Asset class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	4.90%	5.38%
Fixed income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

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

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

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Pension Plan Fiduciary Net Position- Detailed information about each plan's fiduciary net position is available in the separately issued CalPERS financial report.

Changes in Net Pension Liability – The following tables show the changes in the net pension liability for both the City's Miscellaneous and Safety (Police) plans recognized over the measurement period:

Agent Multiple-Employer Defined Benefit Plan - Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2017 (MD)	\$ 108,898,886	\$ 78,652,937	\$ 30,245,949
Changes Recognized for the Measurement Period:			
Service Cost	3,099,429	-	3,099,429
Interest on Total Pension Liability	7,806,166	-	7,806,166
Changes of Benefit Terms	-	-	-
Changes of Assumptions	(752,607)	-	(752,607)
Differences between Expected and Actual Experience	1,457,261	-	1,457,261
Plan to Plan Resource Movement	-	(199)	199
Contributions - Employer	-	3,133,948	(3,133,948)
Contributions - Employees	-	1,403,836	(1,403,836)
Net Investment Income	-	6,712,207	(6,712,207)
Benefit Payments, including			
Refunds of Employee Contributions	(3,952,236)	(3,952,236)	-
Administrative Expense	-	(122,563)	122,563
Other Miscellaneous Income/Expense	-	(232,745)	232,745
Net Changes during 2017-18	7,658,013	6,942,248	715,765
Balance at: 6/30/2018 (MD)	\$ 116,556,899	\$ 85,595,185	\$ 30,961,714

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Agent Multiple-Employer Defined Benefit Plan - Safety (Police) Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2017 (MD)	\$ 275,818,189	\$ 181,063,160	\$ 94,755,029
Changes Recognized for the Measurement Period:			
Service Cost	5,603,486	-	5,603,486
Interest on Total Pension Liability	19,772,458	-	19,772,458
Changes of Benefit Terms	-	-	-
Changes of Assumptions	(1,307,343)	-	(1,307,343)
Differences between Expected and Actual Experience	6,096,574	-	6,096,574
Plan to Plan Resource Movement	-	(447)	447
Contributions - Employer	-	8,260,458	(8,260,458)
Contributions - Employees	-	1,816,971	(1,816,971)
Net Investment Income	-	15,347,329	(15,347,329)
Benefit Payments, including			
Refunds of Employee Contributions	(13,742,608)	(13,742,608)	-
Administrative Expense	-	(282,146)	282,146
Other Miscellaneous Income/Expense	-	(535,805)	535,805
Net Changes during 2017-18	16,422,567	10,863,752	5,558,815
Balance at: 6/30/2018 (MD)	\$ 292,240,756	\$ 191,926,912	\$ 100,313,844
Totals of Both Miscellaneous and Safety Plans	\$ 408,797,655	\$ 277,522,097	\$ 131,275,558

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Miscellaneous	Police	Total
1% Decrease	6.15%	6.16%	6.16%
Net Pension Liability	\$ 47,494,057	\$ 141,323,258	\$ 188,817,315
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 30,961,714	\$ 100,313,844	\$ 131,275,558
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 17,326,642	\$ 66,832,653	\$ 84,159,295

Subsequent Events – There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources – Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the sources of the gain or loss:

Difference between projected and actual earnings on pension plan investment	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives (EARLS) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Deferred outflows of resources and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the miscellaneous and safety (police) plans for the June 30, 2018 measurement date are 4.7 and 3.5 years, respectively, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions  
– As of the start of the measurement period (July 1, 2017), the NPL is \$125,000,978.

For the measurement period ending June 30, 2018 (the measurement date), the City of Salinas recognized a pension expense of \$19,771,064 for the miscellaneous and safety (police) plans.

For the measurement period ending June 30, 2018 (the measurement date), the City of Salinas reports other amounts for the miscellaneous and safety (police) plans as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Plan Contributions Subsequent to Measurement Date	\$ 12,992,752	\$ -
Differences between Expected and Actual Experience	5,773,990	1,314,679
Changes of Assumptions	9,593,004	1,713,691
Net Difference between Projected and Actual Earnings on Pension Plan Investments	651,898	-
	\$ 29,011,644	\$ 3,028,370

\$12,992,752 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2019	\$ 22,925,960
2020	4,723,295
2021	(1,038,798)
2022	(627,183)
2023	-
Thereafter	-
Total	\$ 25,983,274

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*Cost-Sharing Multiple Employer Defined Benefit Pension Plan*

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety risk pool (Fire Tier 1 & Tier 2), cost-sharing multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

The City’s plans provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Fire Tier 1	
	*Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	22.35%	12.78%
	Fire Tier 2	
	*Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3.0% @ 55	2.5% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	55	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	19.35%	12.78%

*\*Plan is closed to new members. Safety (Fire Tier 1 & Tier 2) members that were CalPERS participants before January 1, 2013, with no break in service over six months, may continue in the plan.*

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Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City's contribution for the safety plan were as follows:

	Fiscal Year 2018/19	Measurement Date 2017/18	Valuation Date 2016/17
Safety Plan (Fire)	\$ 4,369,284	\$ 16,741,091	\$ 5,132,440
Total Contributions	<u>\$ 4,369,284</u>	<u>\$ 16,741,091</u>	<u>\$ 5,132,440</u>

Pension Liabilities, Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions – As of June 30, 2019, the City reported net pension liabilities for its proportionate share of the net pension liability as of June 30, 2019 and 2018 were as follows:

	Proportionate Share of Net Pension Liability/(Asset)	
	June 30, 2019	June 30, 2018
Safety Plan (Fire)	\$ 45,259,034	\$ 57,529,594
Total Net Pension Liability	<u>\$ 45,259,034</u>	<u>\$ 57,529,594</u>

The City of Salinas' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using the standard update procedures. The City of Salinas' proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions for all participating employers actuarially determined.

The City's proportionate share of the net pension liability as of June 30, 2019 and 2018 were as follows:

	Percentage Share of Risk Pool		Change:
Fiscal Year	6/30/2019	6/30/2018	Increase/(Decrease)
Measurement Date	6/30/2018	6/30/2017	
Percentage of Plan (PERF C) NPL	0.469674%	0.580096%	-0.110422%

For the year ended June 30, 2019 (measurement date June 30, 2018), the City of Salinas recognized a pension expense of \$8,931,916 for the Safety Plan (Fire).



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As of June 30, 2019 the City of Salinas reports deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 972,464	\$ 3,689
Changes of Assumptions	4,440,701	599,130
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	306,425	-
Change in Employer's Proportion	-	8,334,329
Differences between the Employer's		
Contributions and the Employer's		
Proportionate Share of Contributions	9,196,913	-
Pension Contributions Subsequent to		
Measurement Date	4,369,284	-
Total	\$ 19,285,787	\$ 8,937,148

\$4,369,284 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2019	\$ 4,658,472
2020	2,755,373
2021	(1,121,003)
2022	(313,487)
2023	-
Thereafter	-
Total	\$ 5,979,355

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Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2017 actuarial accounting valuation. The June 30, 2018 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

*(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.*

Change of Assumption – In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Discount Rate - The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan 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 inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the

CITY OF SALINAS  
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rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017.

Amortization of Deferred Outflows and Deferred Inflows of Resources – The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over the remaining amortization periods. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the measurement date ending June 30, 2018 is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Sensitivity of Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the proportionate share of the net pension liability of the City's Plan as of the Measurement Date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15) than the current rate:

	Measurement Date June 30, 2018		
	Discount Rate		
	6.15% (1% Decrease)	7.15% (Current Rate)	8.15% (1% Increase)
<u>Safety Plan (Fire)</u>			
Net Pension Liability	<u>\$ 69,131,639</u>	<u>\$ 45,259,034</u>	<u>\$ 25,699,709</u>

Pension Plan Fiduciary Net Positions – Detailed information about each plan's fiduciary net position is available in the separately issued CalPERS financial report.

Subsequent Events – There were no subsequent events that would materially affect the results presented in this disclosure.

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**B. New York Life Retirement Plan**

Plan Description – The New York Life retirement plan is a closed single-employer defined benefit pension plan that covers Non-Public Safety Employees. The plan’s benefits offers a formula of 2% @ 60 for vested employees. The Plan was established on September 1, 1954 and has been amended and restated from time to time since that date. Prior Plan amendments eliminated the six-month service requirement for entry into the plan and credited participants with up to six-months of service from hire to plan entry prior to time change. The Plan was amended and restated effective September 1, 1996 to bring the Plan into compliance with the Internal Revenue Code and Regulations promulgated thereby to provide for the City’s pick-up of employee eligible participants equal to the present value of vested accrued benefits. Effective June 1, 2001, the Plan amended its benefit formula to one that uses an average salary computed from the twelve-month period, replacing the old formula that used an average salary computed from a thirty six month period. As of June 19, 1995, all new regular non-public safety employees are enrolled in CalPERS.

The City has an agreement with New York Life to hold and invest plan assets of the Retirement Plan, which covers employees other than Police and Fire. New York Life holds assets in NYL Fixed Dollar Account, NYL Mainstay Total Return Bond Fund, and NYL Guaranteed Annuity Contracts.

New York Life Guaranteed Annuity Contracts in the amount of \$6,066,273 are allocated insurance contracts set up to pay benefits and accordingly are excluded from the total pension liability, and are not reported in the City’s financial statements.

Employees Covered – As of September 1, 2017 (valuation date), the following employees were covered by the benefit terms for the single-employer defined benefit pension plan:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	10
Active employees	17
Total	78

Benefits - Non-Public Safety personnel benefits vest after five years of service. The vested benefit would be in the form of a pension beginning after attaining age 60 equal to the benefits accrued at time of termination, or for a reduced amount if an election is made to have payments commence before attaining the normal retirement age of 60. City employees who retire at or after age of 60 with five years of credited service are entitled to an annual retirement benefit payable monthly, as a straight line annuity, as a ten year certain and life annuity, or as a lump sum, in an amount equal to 2% of the average earnings paid to the employee during the twelve consecutive months of service with the City during which their earnings were highest, multiplied by the number of years and completed months of plan participation.

The plan allows early retirement after reaching age 55 and completing five years of plan participation. The plan also provides death and survivor benefits.

CITY OF SALINAS  
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Funding Policy – The contribution requirements of Plan members and the City are established and may be amended by the City Council. Prior to January 1, 1979, participants were required to make specified levels of contributions to the plan in order to accrue benefits under the Plan. For the period commencing January 1, 1979 through December 31, 1993, there were no participants' contributions under this Plan. Since January 1, 1994, participants are required to contribute 4.5% of their compensation to the Plan. Since September 1, 1996, participant contributions are made by the City under the employee pretax pick-up provision for government-sponsored plans allowed under the Internal Revenue Code. As established in their Memorandum of Understanding document for personnel of the SEIU Blue Collar bargaining group, the City will contribute (pick-up) four and one-half percent of the employee retirement contribution.

Pension Liabilities, Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions – As of June 30, 2019 (Measurement Date - August 31, 2018), the City reported net pension liability as follows:

Measurement Date	8/31/2018	8/31/2017
Total Pension Liability (TPL)	\$ 20,559,745	\$ 19,778,000
Fiduciary Net Position (FNP)	4,464,019	2,660,000
Net Pension Liability (NPL)	\$ 16,095,726	\$ 17,118,000
Funded Status (FNP/TPL)	21.7%	13.4%

The City's net pension liability is measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 1, 2017.

For the year ended June 30, 2019 (measurement date August 31, 2018), the City of Salinas recognized a pension expense of \$1,058,278.

As of June 30, 2019 the City of Salinas reports deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	\$ 543,865	\$ -
Plan Contributions Subsequent to Measurement Date	813,537	-
	\$ 1,357,402	\$ -

\$813,537 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Fiscal Year Ended June 30:	Deferred (Inflows) of Resources
2019	\$ 211,966
2020	165,966
2021	153,966
2022	11,967
2023	-
Thereafter	-
Total	\$ 543,865

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended August 31, 2018 (measurement date), the total pension liability was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	September 1, 2017			
Measurement Date	August 31, 2018			
Contribution Policy	City contributes full ADC			
Actuarial Assumptions				
Discount Rate and long-term expected rate of return on assets	3.40% at August 31, 2018 3.40% at August 31, 2017 Discount rate lower of (1) expected long-term rate of return on investments, and (2) Bond Buyer 20- Bond GO Index as of Measurement Date			
Long-Term Expected Rate of Return on Investments	3.40%			
General Inflation	2.25% per annum			
Salary Increases	2.00% per annum			
New York Life Guaranteed Annuity Contract	Value of payments expected to be made under contract excluded from TPL (contract assets not included in Fiduciary Net Position)			
Mortality, Disability, Termination Mortality Improvement	2017 IRS Combined Mortality Tables for males and females Post-retirement mortality projected fully generational with Scale MP-2017			
Retirement	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
	55-56	10%	61-64	30%
	57-59	20%	65+	100%
	60	70%		
Benefit Form	Disability - Annuity for all participants Lump sum for all other participants, valued using UP-1984 Mortality Table with 1.00% interest rate			

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Discount Rate – The discount rate used to measure the total pension liability was 3.40%. The discount rate is based on the expected rate of return which is lower than the 20 year municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at current contribution rates and City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan’s fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. The City’s annual contributions will be adjusted to keep the plan solvent.

Investments are with New York Life invested 99% in their Main Stay Total Return Bond Fund and 1% is in the fixed income fund with an expected rate of return of 3.4%. The rate of return was calculated based on an assumed 1.15% real rate of return with a 2.25% general inflation factor.

Change of Assumption – There were no changes in assumptions since the last measurement date August 31, 2017.

Change of Benefit Terms – There were no changes in benefit terms since the last measurement date August 31, 2017.

Changes in Net Pension Liability – The following tables show the changes in the net pension liability for the City’s Single-Employer Pension Plan recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 8/31/17 (MD)	\$ 19,778,000	\$ 2,660,000	\$ 17,118,000
Changes Recognized for the Measurement Period:			
Service Cost	302,184	-	302,184
Interest	679,330	-	679,330
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	-	-	-
Contributions - Employer	-	1,927,686	(1,927,686)
Contributions - Employees	-	70,043	(70,043)
Net Investment Income	-	60,254	(60,254)
Benefit Payments, including refunds	(199,769)	(199,769)	-
Administrative Expense	-	(54,195)	54,195
Net Changes	781,745	1,804,019	(1,022,274)
Balance at: 8/31/18 (MD)	\$ 20,559,745	\$ 4,464,019	\$ 16,095,726

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 3.40 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.40 percent) or 1 percentage-point higher (4.40 percent) than the current rate:

	Measurement Date August 31, 2017		
	Discount		
	2.40% (1% Decrease)	3.40% (Current Rate)	4.40% (1% Increase)
Net Pension Liability	\$ 17,058,347	\$ 16,095,726	\$ 15,267,054

Pension Plan Fiduciary Net Position- Detailed information about the pension plan’s fiduciary net position as of August 31, 2018 is as follows:

New York Life	
Assets	
New York Life Fixed Dollar Account	\$ 219,981
New York Life Main Stay Total Return Bond Fund	4,272,675
Total investments	4,492,656
Liabilities	
Accrued expenses	28,637
Fiduciary Net Position	\$ 4,464,019

Subsequent Events – There were no subsequent events that would materially affect the results presented in this disclosure.

***C. ICMA Retirement Corporation Defined Contribution Plan***

Plan Description – On June 19, 1995, the City established a qualified retirement program in accordance with Internal Revenue Code Section 401(a). This defined contribution 401(a) Money Purchase Retirement Plan was established with International City Managers Association Retirement Corporation (ICMA). Non-Public Safety Mid-Management employees that were participating in the ICMA 457 non-qualified deferred compensation plan in-lieu of participation in the New York Life Retirement Program, were required to transfer to one of the other City’s three qualified retirement plans. The City’s annual contribution to this plan is determined by the employer required contribution to the New York Life Plan Retirement Plan in accordance with Internal Revenue contribution limits.



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Significant Accounting Policies

*Basis of Accounting* – Financial statements are prepared using the cash basis of accounting. Employer contributions are recognized in the period that the contributions are made.

*Method Used to Value Investments* – Participants direct their investments, without restriction, among various investments options available under the ICMA 401(a) Plan.

Retirement Buyback Program

During Fiscal Year 1995-96, the City established a deferred compensation retirement buyback program for Department Directors where the City contributes a flat dollar amount based on tenure with the City. The 401(a) Money Purchase Retirement Plan is administered by the ICMA Retirement Corporation. The program requires employee-matching contributions for every dollar contributed by the City. At June 30, 2019, there were 11 participants RECEIVING A TOTAL OF \$92,136 in this form of benefit while there were 2 participants in the ICMA 401(a) money Purchase Plan with a City annual contribution was \$15,714 while the employees had an equal mandatory matching contribution of \$15,714.

15. Post Employment Benefits Other Than Pensions (OPEB):

**A. General Information about the OPEB Plan**

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s plan (OPEB Plan) and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes.

For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018
Fiscal Year End	June 30, 2019

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Plan Description: The City joined the Public Employees' Medical & Hospital Care Act (PEMHCA) in 2000 for Police and Miscellaneous employees, offered through the California Public Employees' Retirement System (CalPERS). It is an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS). The healthcare plan which provides medical insurance benefits to active and eligible retirees and their families in accordance with various labor agreements. Fire employees receive healthcare benefits for active and retiree members from a union sponsored plan.

OPEB Trust: The City joined The California Employers' Retiree Benefit Trust (CERBT) in 2011 to prefund its OPEB liability. CERBT is an agent multiple employer defined plan for other post-employment benefits administered by CalPERS. The Plan includes participating employers of the State of California and public agencies. CalPERS is governed by a 13-member Board of Administration (the Board); two elected by CalPERS members, one elected by retired members of CalPERS, two appointed by the Governor, one public representative appointed jointly by the Speaker of the Assembly and Senate Rules Committee, and four ex-officio members: State Treasurer, State Controller, Director of California Department of Human Resources, and Designee of the State Personal Board. The Board is responsible for the management and control of CalPERS, including the exclusive control of the administration and investments of the Plan.

The plan information is as follows:

<u>Fiscal Year End</u>	<u>June 30, 2019</u>
Plan type	Agent Multiple Employer
OPEB trust	Yes
Special funding situations	No
Nonemployer contributing entities	No

Post-Employment Benefits Eligibility: The City provides post-retirement healthcare benefits to eligible employees who retire directly from the City after the age of 50 years (Age 52 for Miscellaneous PEPRAs employees) and with five years of service or disability retirement. For Police and Fire Supervisors, the City pays 25% of retiree and spouse health insurance premium up to \$100 per month plus PEMHCA AB2544 "unequal method" monthly benefit to retirees (\$129.20 per month in 2019). The payment is made until Medicare eligibility, but no more than 10 years for non-supervisory Police retirees. For Miscellaneous employees, the City pays the PEMHCA "unequal method" monthly benefit to retirees (\$129.20 per month in 2019). For IAFF (Fire employee), the City pays 25% of retiree and spouse health insurance premium up to \$100 per month. The payment is made until Medicare eligibility.

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Employees Covered: As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the PEMHCA and Union Sponsor Plans:

June 30, 2019 Fiscal Year End June 30, 2018 Measurement Date	Number of Covered Participants
Inactive employees currently receiving benefits	119
Inactive employees entitled to benefits	242
Actives employees	449
Total employees	810

Contributions: The City intends to contribute to the Trust the actuarially determined contribution (ADC) net of the pay-as-you-go benefits paid annually directly from employer resources. For the fiscal year ended June 30, 2019, the City's cash contributions were \$260,329 in premium payments made on behalf of retirees, \$250,000 payments to the trust, and implied subsidy payments of \$685,000, resulting in total payments of \$1,195,329.

**B. Net OPEB Liabilities, Expense, and Deferred Outflows/Inflows of Resources**

Net OPEB Liability: As of the June 30, 2018 measurement date, was as follows:

Fiscal Year Ended Measurement Date	6/30/2019 6/30/2018	6/30/2018 6/30/2017
Total OPEB liability (TOL)	\$ 22,499,995	\$ 21,875,000
Fiduciary net position (FNP)	2,304,596	1,899,000
Net OPEB liability (NOL)	\$ 20,195,399	\$ 19,976,000
Funded status (FNP/TOL)	10.2%	8.7%

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Actuarial Methods and Assumptions Used to Determine the OPEB Liability: The City's net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability based on the following significant actuarial methods and assumptions:

Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Salary increases	Aggregate - 3% Merit - CalPERS 1997-2015 experience study
Medical trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
Healthcare participation	100% for Safety \$100 benefit 50% for PEMHCA benefit if covered as active 10% for PEMHCA benefit if waived as active
Cap increases	None
Contribution policy	City contributes \$250,000 annually, and pays benefit payments outside of trust.
Discount rate	4.95% at June 30, 2018 4.73% at June 30, 2017
Municipal Bond Rate	3.87% at June 30, 2018 (Bond Buyer 20-bond Index) 3.58% at June 30, 2017 (Bond Buyer 20-bond Index)
Expected long-term rate of return on investment	6.75%
General inflation	2.75% per annum
Retirement	CalPERS 1997-2015 experience study
Termination	CalPERS 1997-2015 experience study
Disability	CalPERS 1997-2015 experience study
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Projected fully generation with scale MP-2017
Change of benefits terms	None

Change of assumptions: Discount rate was updated based on municipal bond rate as of measurement date and crossover test

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Discount Rate: The discount rate used to measure the total OPEB liability was 4.95%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Expected Long Rate of Return: The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class/Strategy	Target Allocation*	Expected Real Rate of Return
Measurement Date	6/30/18	6/30/18
Global equity	57%	4.82%
Fixed income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed long-term rate of inflation		2.75%
Assumed long-term investment expenses		n/a
Expected long-term net rate of return, rounded		6.75%
Discount rate**		
6/30/18		4.95%
6/30/17		4.73%

\* Provided by CalPERS' Strategic Asset Allocation Analysis Overview in August 2014 – Strategy 1.

\*\* The fiduciary net position is not projected to be sufficient to make projected benefit payments, and the plan assets are expected to be invested using the strategy to achieve the expected return.

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Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.73%) in measuring the Net OPEB Liability.

	Discount Rate		
	3.95%	4.95%	5.95%
	(1% Decrease)	(Current Rate)	(1% Increase)
Net OPEB liability	\$ 23,186,625	\$ 20,195,399	\$ 17,718,987

Healthcare Trend Sensitivity Analysis: The following presents the net OPEB liability of the City if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	Healthcare Trend Rate		
	Decrease)	Trend)	(1% Increase)
	Net OPEB liability	\$ 17,207,148	\$ 20,195,399

Changes in the OPEB Liability: The changes in the net OPEB liability for the City Plan are as follows:

Changes in Net OPEB Liability	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018 (Measurement Date June 30, 2017)	\$ 21,875,000	\$ 1,899,000	\$ 19,976,000
Changes for the year:			
Service Cost	1,085,475	-	1,085,475
Interest	1,064,391	-	1,064,391
Difference between actual and expected experience	-	-	-
Assumptions changes	(609,871)	-	(609,871)
Contributions - employer*	-	1,165,000	(1,165,000)
Contributions - employee	-	-	-
Net investment income	-	159,215	(159,215)
Benefit payments and refunds*	(915,000)	(915,000)	-
Administrative Expenses	-	(3,619)	3,619
Net Changes	624,995	405,596	219,399
Balance at June 30, 2019 (Measure Date June 30, 2018)	\$ 22,499,995	\$ 2,304,596	\$ 20,195,399

\* Includes \$250,000 City contribution to trust, and \$243,000 cash benefit payments and \$635,000 Implied Subsidy benefit payments (both paid outside of trust).

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Recognition of Deferred Outflows and Deferred Inflows of Resources: To smooth market volatility, gains and losses related to changes in total OPEB liability and fiduciary net position are recognized over nine and half years. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$1,749,246.

As of fiscal year ended June 30, 2019, the City reported deferred outflows of resources and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 1,938,685
Net differences between projected and actual earnings on plan investment	-	55,173
Employer contributions after measurement date*	1,195,329	-
Total	<u>\$ 1,195,329</u>	<u>\$ 1,993,858</u>

\* Contributions to trust of \$250,000 plus \$260,329 cash benefits and \$685,000 implied subsidy paid by the City.

Deferred outflows of resources in the amount of \$1,195,329 related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expenses as follows:

<u>Fiscal Year ended June 30:</u>	<u>Deferred (Inflows) of Resources</u>
2020	\$ (267,740)
2021	(267,740)
2022	(265,740)
2023	(254,741)
2024	(250,197)
Thereafter	<u>(687,700)</u>
Total	<u>\$ (1,993,858)</u>

CITY OF SALINAS  
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16. Risk Management:

The City has a self-insurance program and carries excess insurance for catastrophic losses. National Casualty Company combined with Berkley National Insurance Company provides General Liability coverage up to a maximum of \$15,000,000 after the self-insured retention of \$1,000,000 per occurrence met. Safety National Casualty Corporation provides Worker's Compensation excess coverage with statutory coverage (pursuant to California Worker's Compensation Act) after the self-insurance retention of \$1,000,000 for Public Safety and \$750,000 for non Public Safety is met.

Liabilities for estimated claims payable for the self-insurance programs represent settled claims, claims incurred but not paid and claims incurred but not reported based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2019 is dependent on future developments, City management has determined the desired reserve level for each self-insurance program as follows and believes the estimates are adequate to cover such losses.

- Worker's Compensation insurance liability of \$23,861,251 includes \$18,341,749 for claims incurred but not paid and \$4,585,437 for claims incurred but not reported which is based on expected claims and past claims history. At June 30, 2019, Worker's Compensation Insurance liability of \$22,927,186 is reported on the statement of net position. The worker's compensation fund was established as an Internal Service Fund on July 1, 1991. The portion of the worker's compensation insurance liability since July 1, 1991, at June 30, 2019 is \$20,611,511 and is reported in the Internal Service Fund; \$2,315,675 of this is treated as long-term debt.
- General liability insurance liability at June 30, 2019 of \$9,973,263 that is reported in the Internal Service Fund includes \$9,074,452 for claims incurred but not paid and \$898,811 for claims incurred but not reported which is based on expected claims and past claims history. Unreserved retained earnings is \$1,921,595 at June 30, 2019 and is short the City's goal of reserving three times the self-insured retention plus full funding of all past claims history. The City's self-insured retention is \$1,000,000. At June 30, 2019, the City reports a receivable of \$8,000,000 due from excess insurance for amounts over the self-insurance retention.



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Changes to the claims liability for fiscal year ended June 30, 2019 are as follows:

	<u>Workers Compensation</u>	<u>General Liability</u>
Beginning balance of claims liability	\$ 23,861,251	\$ 1,773,353
Less beginning provision for incurred but not reported claims	(4,772,250)	(900,690)
Beginning provisions for incurred but not paid claims	19,089,001	872,663
Increase (decrease) in claims incurred and reported	5,049,864	9,001,943
Claims expenses paid	(5,797,116)	(800,154)
Ending balance provision for incurred but not paid claims	18,341,749	9,074,452
Provisions for incurred but not reported claims	4,585,437	898,811
Ending balance of claims liability	<u>\$ 22,927,186</u>	<u>\$ 9,973,263</u>

17. Lease Obligations:

Operating Leases as Lessee

The City has commitments under various long-term operating lease agreements requiring annual rental payments, which are described as follows:

*Governmental Activities* – The City has ongoing commitments under operating lease agreements for business equipment, and office facilities necessary for City operations, which expire at various dates through 2024. Each governmental fund includes the expenditures related to such lease agreements. There are both cancelable and non-cancelable lease agreements. Rental expenditures reported by the General Fund and other governmental funds under these operating lease agreements for the fiscal year ended June 30, 2019 amounted to \$436,007.

The future minimum lease payments anticipated under the existing lease commitments as of June 30, 2019 are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 306,900
2021	276,948
2022	71,971
2023	65,730
2024	36,157
	<u>\$ 757,706</u>

CITY OF SALINAS  
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18. Long Term Debt:

The following is a summary of Long Term Debt transactions for the fiscal year ended June 30, 2019:

	June 30, 2018	Increases	Decreases	June 30, 2019	Due Within One Year
Governmental Activities:					
Annual Leave	\$ 11,211,936	\$ 302,982	\$ 139,952	\$ 11,374,966	\$ 2,274,993
Estimated Insurance claims	2,474,609	2,315,675	2,474,610	2,315,674	-
Capital Leases	94,647,219	3,500,000	1,799,338	96,347,881	2,335,581
Certificates of Participation					
Series B-2015	5,970,000	-	555,000	5,415,000	570,000
TRIP 2018B	-	37,500,000	-	37,500,000	680,000
	5,970,000	37,500,000	555,000	42,915,000	1,250,000
Assessment District Bonds					
Assessment District 2017 Act Bonds	3,775,000	-	805,000	2,970,000	830,000
CFD Monte Bella-2019	-	2,675,000	-	2,675,000	-
Total Assessment District Bonds	3,775,000	2,675,000	805,000	5,645,000	830,000
Bond Premium/(Discount)					
TRIP 2018B	-	4,327,004	-	4,327,004	396,834
TRIP 2018B	-	(370,719)	-	(370,719)	(13,240)
CFD Monte Bella-2019	-	74,934	-	74,934	-
Total Bond Discounts	-	4,031,219	-	4,031,219	383,594
Governmental Activities	118,078,764	50,324,876	5,773,900	162,629,740	7,074,168
Business-type Activities					
Annual Leave	480,397	45,560	33,499	492,458	98,493
Capital Leases:					
Monterey Parking Garage 2014	11,186,000	-	511,000	10,675,000	534,000
Street Sweeper	441,390	-	106,480	334,910	109,381
Fire Engine	88,929	-	29,052	59,877	29,639
Total Leases	11,716,319	-	646,532	11,069,787	673,020
HUD Section 108 Loan	3,229,000	-	409,000	2,820,000	425,000
Bonds Payable:					
Sanitary Sewer Revenue Bonds - 2012	15,860,000	-	390,000	15,470,000	405,000
Certificates of Participation					
Series A-2015	3,690,000	-	370,000	3,320,000	380,000
Series A-2008	4,430,000	-	70,000	4,360,000	80,000
Total Bonds Payable	8,120,000	-	440,000	7,680,000	460,000
Subtotal	39,405,716	45,560	1,919,031	37,532,245	2,061,513
Bond Premium - Sanitary Sewer	116,900	-	10,627	106,273	10,627
Business-type Activities	39,522,616	45,560	1,929,658	37,638,518	2,072,140
Total Long-Term Liability	\$ 157,601,380	\$ 50,370,436	\$ 7,703,558	\$ 200,268,258	\$ 9,146,308

CITY OF SALINAS  
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For the Fiscal Year Ended June 30, 2019

The annual requirements to amortize capital leases, loans and notes, certificates of participation and bonds outstanding as of June 30, 2019 by activity are as follows:

Year Ended June 30,	Governmental-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 4,415,581	\$ 5,739,601	\$ 1,963,021	\$ 1,383,779
2021	7,141,133	5,470,361	2,035,599	1,322,204
2022	7,334,106	5,328,822	2,028,867	1,255,014
2023	7,360,727	4,975,956	2,109,300	1,186,090
2024	7,718,877	4,674,173	2,142,000	1,115,476
2025 - 2029	36,896,564	18,673,083	8,850,000	4,557,558
2030 - 2034	32,895,893	11,239,638	8,741,000	2,910,410
2035 - 2039	14,365,000	6,722,991	5,465,000	1,433,431
2040 - 2044	14,215,000	3,802,713	3,705,000	323,106
2045 - 2049	12,415,000	969,357	-	-
2050 - 2054	150,000	3,000	-	-
	<u>\$ 144,907,881</u>	<u>\$ 67,599,695</u>	<u>\$ 37,039,787</u>	<u>\$ 15,487,068</u>

The debt for the State of California – annual leave and estimated insurance claims do not have amortization schedules and are therefore not included in the above schedule.

Accrued Annual Leave – Accrued leave is reported on the Government-Wide Statements for Governmental Activities and Business-type Activities in Long-Term Debt. The cost of Annual Leave accumulated at fiscal year-end is recorded as a liability within Proprietary and Fiduciary Funds. At June 30, 2019 the liability for all compensated absences totaled \$11,867,424.

Accrued annual leave are reported on the financial statements in the following funds:

	June 30, 2018	Increases	Decreases	June 30, 2019	Due Within One Year
<b>Governmental Activities</b>					
General Fund	\$ 8,767,427	\$ -	\$ 118,661	\$ 8,648,766	\$ 1,729,753
Measure E	895,547	11,870	-	907,417	181,483
Measure G	1,053,653	281,141	-	1,334,794	266,959
Special Revenue Funds	370,129	-	11,818	358,311	71,662
Internal Service Funds	125,180	9,971	9,473	125,678	25,136
	<u>\$ 11,211,936</u>	<u>\$ 302,982</u>	<u>\$ 139,952</u>	<u>\$ 11,374,966</u>	<u>\$ 2,274,993</u>
<b>Business-type Activities</b>					
Enterprise Funds	\$ 480,397	\$ 45,560	\$ 33,499	\$ 492,458	\$ 98,493
<b>Fiduciary Activities</b>					
Agency Funds	\$ 11,464	\$ -	\$ 11,464	\$ -	\$ -

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Estimated Insurance Claims – At June 30, 2019, the estimated insurance claims liability recorded in the Internal Service Funds is as follows:

Worker's Compensation	\$ 20,611,511
General Liability	<u>9,973,263</u>
Total	<u>\$ 30,584,774</u>

An additional \$2,315,674 of Worker's Compensation claims liability is reported in the Long-Term Debt under estimated insurance claims.

**Governmental Type Activities**

Capital Leases – Annual debt service requirements to maturity for the capital lease is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,335,581	\$ 3,788,734	\$ 6,124,315
2021	5,216,133	3,578,024	8,794,157
2022	5,354,106	3,495,855	8,849,961
2023	5,510,727	3,205,624	8,716,351
2024	5,783,877	2,970,515	8,754,392
2025 - 2029	29,471,564	11,059,875	40,531,439
2030 - 2034	26,710,893	5,040,594	31,751,487
2035 - 2039	6,530,000	2,221,072	8,751,072
2040 - 2044	4,270,000	1,435,063	5,705,063
2045 - 2049	5,165,000	518,619	5,683,619
	<u>\$ 96,347,881</u>	<u>\$ 37,313,975</u>	<u>\$ 133,661,856</u>

*Pierce Fire Pumper*

On October 4, 2011, the City, using lease purchase financing, purchased two Pierce fire pumps, \$1,049,274, and refinanced a 2007 fire vehicle lease, \$705,693, for a total of \$1,754,967. The City will make nine annual payments of \$237,215, beginning October 4, 2011 and ending October 4, 2020 at 4.11% interest. Debt payable of \$227,850 is recorded as Governmental Activities at June 30, 2019.

Debt service requirements to maturity for Pierce Fire Pumper are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 227,850	\$ 9,365	\$ 237,215
	<u>\$ 227,850</u>	<u>\$ 9,365</u>	<u>\$ 237,215</u>

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*Quantum Pumper Fire Engine & Rosenbauer Airwolf*

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Pumper fire engine, \$536,653, and a Rosenbauer Airwolf fire engine, \$398,997, for a total of \$935,650. The City will make seven annual payments of \$13,680, beginning on March 1, 2015 and ending March 1, 2021 at 2.02% interest. The Rosenbauer Airwolf fire engine debt is funded 50% by the Airport Fund; see capital leases for Business-type Activities. Debt payable of \$220,947 is recorded as Governmental Activities at June 30, 2019.

Debt service requirements to maturity for the Quantum Pumper Fire Engine & Rosenbauer Airwolf are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 109,369	\$ 4,464	\$ 113,833
2021	111,578	2,254	113,832
	<u>\$ 220,947</u>	<u>\$ 6,718</u>	<u>\$ 227,665</u>

*Quantum Tiller Ladder Truck*

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Tiller Ladder Truck for a total of \$1,087,053. The City will make ten annual payments of \$124,848, beginning on March 17, 2015 and ending March 17, 2024 at 2.60% interest. Debt payable of \$578,357 is recorded as Government Activities at June 30, 2019.

Debt service requirements to maturity for the Quantum Tiller Ladder Truck are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 109,812	\$ 15,037	\$ 124,849
2021	112,666	12,182	124,848
2022	115,595	9,253	124,848
2023	118,600	6,247	124,847
2024	121,684	3,164	124,848
	<u>\$ 578,357</u>	<u>\$ 45,883</u>	<u>\$ 624,240</u>

*Pierce Pumper & Tiller*

On March 6, 2015, the City, using lease purchase financing, purchased a Pierce Pumper and Tiller for a total of \$1,628,839. The City will make ten annual payments of \$209,261, beginning on March 6, 2016 and ending March 6, 2025 at 2.51% interest. Debt payable of \$929,359 is recorded as Government activities at June 30, 2019.

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Debt service requirements to maturity for the Pierce Pumper & Tiller are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 185,964	\$ 23,297	\$ 209,261
2021	190,626	18,635	209,261
2022	195,405	13,856	209,261
2023	116,185	8,958	125,143
2024	119,097	6,046	125,143
2025 - 2029	122,082	3,060	125,142
	<u>\$ 929,359</u>	<u>\$ 73,852</u>	<u>\$ 1,003,211</u>

*2014 Lease/Purchase Agreement*

The City of Salinas 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Animal Shelter portion of the financing was issued for 19 years (ending September 1, 2032), at an average interest rate of 4.02%. Maximum annual debt service is \$278,646. Debt payable of \$2,103,000 is recorded as Governmental Activities at June 30, 2019.

Debt service requirements to maturity for 2014 Lease/Purchase Agreement are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 145,000	\$ 81,626	\$ 226,626
2021	153,000	75,636	228,636
2022	161,000	69,325	230,325
2023	163,000	62,813	225,813
2024	171,000	56,099	227,099
2025 - 2029	741,000	181,965	922,965
2030 - 2034	569,000	46,974	615,974
	<u>\$ 2,103,000</u>	<u>\$ 574,438</u>	<u>\$ 2,677,438</u>

*Energy Improvement Lease*

On November 1, 2014, the City entered into a lease agreement funded through private placement in the amount of \$21,908,000. The project will install LED lighting on street lights and parking lots in addition to building solar PV installations at the Hitchcock Road Animal Shelter, the Industrial Waste Treatment Plant, the Salinas Municipal Airport, the Permit Center, Sherwood Hall, and the Sewer Lift Station site off Work Street. The Debt Service repayment will be over a 17 year period at 3.03% interest beginning May 1, 2016 and ending November 1, 2032. Maximum annual debt service is \$2,005,124. Debt payable of \$19,526,378 is recorded as Governmental Activities at June 30, 2019.

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Debt service requirements to maturity for Energy Improvement Lease Agreement are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 987,037	\$ 584,404	\$ 1,571,441
2021	1,050,606	554,034	1,604,640
2022	1,116,825	521,700	1,638,525
2023	1,184,506	487,358	1,671,864
2024	1,254,955	450,944	1,705,899
2025 - 2029	7,435,556	1,629,926	9,065,482
2030 - 2034	6,496,893	403,804	6,900,697
	<u>\$ 19,526,378</u>	<u>\$ 4,632,170</u>	<u>\$ 24,158,548</u>

*Pierce Enforcer Pumper*

On October 18, 2017, the City, using lease purchase financing, purchased a Pierce Enforcer Pumper fire engine for a total of \$561,605. The City will make six annual payments of \$101,822, beginning on October 18, 2018 and ending October 18, 2023 at 2.40% interest. Debt payable of \$473,597 is recorded as Governmental Activities on June 30, 2019.

Debt service requirements to maturity for Pierce Enforcer Pumper are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 90,172	\$ 11,649	\$ 101,821
2021	92,391	9,431	101,822
2022	94,664	7,158	101,822
2023	96,992	4,830	101,822
2024	99,378	2,444	101,822
	<u>\$ 473,597</u>	<u>\$ 35,512</u>	<u>\$ 509,109</u>

*Altec Aerial Lift*

On December 19, 2017, the City, using lease purchase financing, purchased an Altec Aerial Lift Truck for a total of \$157,983. The City will make six annual payments of \$28,903, beginning on December 19, 2018 and ending December 19, 2023. Debt payable of \$133,393 is recorded as Governmental Activities on June 30, 2019.

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Debt service requirements to maturity for Altec Aerial Lift are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 25,261	\$ 3,642	\$ 28,903
2021	25,951	2,952	28,903
2022	26,659	2,243	28,902
2023	27,387	1,516	28,903
2024	28,135	768	28,903
	<u>\$ 133,393</u>	<u>\$ 11,121</u>	<u>\$ 144,514</u>

*Public Safety Building 2018A*

The City of Salinas 2018A Capital Lease was issued by Salinas Public Facilities, Inc. in the amount of \$48,825,000 on June 28, 2018. The purpose of this financing was to raise funds for the construction of a new Public Safety Building (Police Department) within City limits. The City started making semi-annual payments beginning on December 1, 2018 and ending December 1, 2034 at an average interest rate of 3.375%. Maximum annual debt service is \$4,799,181. Debt payable of \$48,825,000 is recorded as Governmental Activities on June 30, 2019.

Debt service requirements to maturity for Public Safety Building 2018A are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 2,159,556	\$ 2,159,556
2021	2,640,000	2,027,556	4,667,556
2022	2,775,000	2,024,181	4,799,181
2023	2,910,000	1,816,056	4,726,056
2024	3,060,000	1,666,806	4,726,806
2025 - 2029	17,740,000	5,820,781	23,560,781
2030 - 2034	16,720,000	1,789,016	18,509,016
2035 - 2039	2,980,000	50,288	3,030,288
	<u>\$ 48,825,000</u>	<u>\$ 17,354,240</u>	<u>\$ 66,179,240</u>

*El Gabilan Library 2018B*

The City of Salinas 2018B Capital Lease was issued by Salinas Public Facilities, Inc. in the amount of \$19,830,000 on June 28, 2018. The purpose of this financing was to raise funds for the construction of a new Public Library (El Gabilan) within City limits. The City started making semi-annual payments beginning on December 1, 2018 and ending December 1, 2048 at an average interest rate of 3.900%. Maximum annual debt service is \$1,152,781. Debt payable of \$19,830,000 is recorded as Governmental Activities on June 30, 2019.



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Debt service requirements to maturity for El Gabilan Library 2018B are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ -	\$ 786,494	\$ 786,494
2021	370,000	780,344	1,150,344
2022	385,000	767,781	1,152,781
2023	395,000	752,588	1,147,588
2024	415,000	734,556	1,149,556
2025 - 2029	2,355,000	3,373,438	5,728,438
2030 - 2034	2,925,000	2,800,800	5,725,800
2035 - 2039	3,550,000	2,170,784	5,720,784
2040 - 2044	4,270,000	1,435,063	5,705,063
2045 - 2049	5,165,000	518,619	5,683,619
	<u>\$ 19,830,000</u>	<u>\$ 14,120,467</u>	<u>\$ 33,950,467</u>

*Police/Fire Radios & PW Equipment*

The City of Salinas Motorola Radios and Public Work Equipment was issued by Banc of America Public Capital Corporation in the amount of \$3,500,000 on August 17, 2018. This equipment replaces old manufactured models and will make Police, Fire, and Public Work operations more efficient. The lease consists of 84 payments, beginning on August 17, 2019 and ending on August 17, 2025 at an average interest rate of 3.120%. Debt payable of \$3,500,000 is recorded as Governmental Activities on June 30, 2019.

Debt service requirements to maturity for Police/Fire Radios & PW Equipment are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 455,116	\$ 109,200	\$ 564,316
2021	469,315	95,000	564,315
2022	483,958	80,358	564,316
2023	499,057	65,258	564,315
2024	514,628	49,688	564,316
2025 - 2029	1,077,926	50,705	1,128,631
	<u>\$ 3,500,000</u>	<u>\$ 450,209</u>	<u>\$ 3,950,209</u>

Certificates of Participation Bonds

*Series A-1997 (Refunded by Series B-2005 in 2005 and refunded by Series B-2015 in 2015)*

On October 24, 1997, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1997 totaling \$11,960,000. The purpose of this financing was to raise money for capital improvement projects, \$8,000,000 and to refund the Authority's Variable Rate Lease Revenue Bonds, which were issued to purchase the 65 W. Alisal Building. The Variable Rate Lease Revenue Bonds Series A-1997 and Series B-1997 were fully retired on

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November 20, 1997. The outstanding Certificates were secured by liens on City owned assets based on the following appraised values; City Hall (\$3,820,000); Public Safety Building (\$1,990,000); Steinbeck Library (\$2,350,000) and 65 W. Alisal Building (\$2,805,000).

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005B (1997 Capital Improvement Projects). The Refunding Certificates were issued to refund Series A-1997 Certificates. Series 2005B Refunding Certificates were issued in the amount of \$11,705,000 for 24 years at 4.22%. Maximum annual debt service is \$795,705. The Refunding Certificates were secured by a lien on the Salinas Community Center with an appraised value of \$13,415,000. With these refunding, liens were removed from the City's Public Safety Building, 65 West Alisal Building and Steinbeck Library.

On September 1, 2015, the City issued Refunding Certificates of Participation Series 2015, in the amount of \$11,440,000 at a 2.53% interest rate, to refund the outstanding portion of the 2005A Certificates of Participation (Twin Creeks) and the 2005B Certificates of Participation (Capital Improvements). Bond started September 1, 2015 and will end after 12 years on September 1, 2027.

The current refunding of the Certificates of Participation Series 2005-A (Business-type Activity) and 2005-B (Governmental Activity) reduced total debt service payments over the next 13 years by \$3,184,743. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,200,896. Debt payable of \$5,415,000 is recorded as Governmental Activities at June 30, 2019.

The annual debt service requirements to maturity for the certificates are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 570,000	\$ 129,789	\$ 699,789
2021	585,000	115,178	700,178
2022	600,000	100,188	700,188
2023	615,000	84,818	699,818
2024	630,000	69,069	699,069
2025 - 2029	2,415,000	114,419	2,529,419
	<u>\$ 5,415,000</u>	<u>\$ 613,461</u>	<u>\$ 6,028,461</u>

*Series 2018B - TRIP*

On July 18, 2018, the California Statewide Communities Development Authority Transportation Revenue issued City of Salinas Certificates of Participation, Series 2018B totaling \$37,500,000 at various interest rates plus premium and discounts. The purpose of this financing was to provide expedited funding for the design, acquisition, and construction of certain local roadway and street improvement projects within the jurisdiction of the City. Debt payable net of premiums and discounts of \$41,456,285 is recorded as Governmental Activities at June 30, 2019.

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The annual debt service requirements to maturity for the certificates are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 680,000	\$ 1,651,925	\$ 2,331,925
2021	710,000	1,624,125	2,334,125
2022	740,000	1,595,125	2,335,125
2023	750,000	1,561,575	2,311,575
2024	800,000	1,522,825	2,322,825
2025 - 2029	4,625,000	7,009,275	11,634,275
2030 - 2034	5,815,000	5,787,350	11,602,350
2035 - 2039	7,395,000	4,161,750	11,556,750
2040 - 2044	9,410,000	2,127,650	11,537,650
2045 - 2049	6,575,000	350,613	6,925,613
	<u>\$ 37,500,000</u>	<u>\$ 27,392,213</u>	<u>\$ 64,892,213</u>

Assessment Districts Bonds

At June 30, 2019, outstanding Assessment District Bonds totaled \$5,645,000. Bonds issued for improvements in special assessment districts are liabilities of the property owners and are secured by liens against the assessed property. In the case of default, the City has the authority to advance bonds payments from the special reserve fund and to foreclosure on delinquent property. The Assessment District Reserve Fund balance is \$1,802,014 at June 30, 2019.

*Assessment District 2017 Act Bonds*

On July 28, 2017 the City issued \$4,555,000 in bonds to refinance the following special assessment district debt:

- 1998 AD 98-1 – Bella Vista III Refunding (\$2,665,000)
- 2000 AD 96-2 – Acacia Park Refunding (\$340,000)
- 2002 RADA – Bella Vista Refunding (\$1,365,000)
- 2002 RADB – Bella Vista Refunding (\$185,000)

The current refunding of the assessment districts debt reduced total debt service payments over the next 9 years by \$937,889. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$318,303.

The refinancing was funded through a direct private placement with City National Bank. Maximum debt service is \$882,065, including interest ranging from 2.3% to 2.7% for 9 years.

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Annual debt service requirements to maturity for Assessment District 2017 Act Bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 830,000	\$ 63,325	\$ 893,325
2021	580,000	46,215	626,215
2022	590,000	31,835	621,835
2023	430,000	19,170	449,170
2024	450,000	8,095	458,095
2025 - 2029	90,000	2,430	92,430
	<u>\$ 2,970,000</u>	<u>\$ 171,070</u>	<u>\$ 3,141,070</u>

*CFD Monte Bella-2019 - Community Facilities District No. 2016-1 (Monte Bella) of the City of Salinas 2019 Special Tax Bonds (Improvement Area No. 1)*

On February 21, 2019, the Bond Purchase Agreement was signed in the amount of \$2,675,000 at various interest rates to finance the acquisition and/or construction of certain public facilities and improvements within Community Facilities District (CFD) No. 2016- Improvement Area 1 of the district. Debt payable net of premiums of \$2,749,934 is recorded as Governmental Activities at June 30, 2019.

Annual debt service requirements to maturity CFD Monte Bella-2019 bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 105,828	\$ 105,828
2021	50,000	106,819	156,819
2022	50,000	105,819	155,819
2023	55,000	104,769	159,769
2024	55,000	103,669	158,669
2025 - 2029	295,000	487,084	782,084
2030 - 2034	370,000	411,694	781,694
2035 - 2039	440,000	340,169	780,169
2040 - 2044	535,000	240,000	775,000
2045 - 2049	675,000	100,125	775,125
2050 - 2054	150,000	3,000	153,000
	<u>\$ 2,675,000</u>	<u>\$ 2,108,976</u>	<u>\$ 4,783,976</u>

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**Business-Type Activities**

Capital Leases – Annual debt service requirements to maturity for the capital lease for Business-Type Activities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 673,020	\$ 428,562	\$ 1,101,582
2021	693,600	403,174	1,096,774
2022	633,867	376,808	1,010,675
2023	656,300	351,716	1,008,016
2024	625,000	325,640	950,640
2025 - 2029	3,507,000	1,224,070	4,731,070
2030 - 2034	4,281,000	443,788	4,724,788
	<u>\$ 11,069,787</u>	<u>\$ 3,553,758</u>	<u>\$ 14,623,545</u>

*2014 Lease/Purchase Agreement*

The City of Salinas 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Monterey Street Parking Structure portion of the financing was issued for 20 years (ending September 1, 2033), at an average interest rate of 4.02%. Maximum annual debt service is \$963,518. The annual debt service requirements for the Monterey Street Parking Structure are illustrated in the table below and are reported as Business-Type Activities.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 534,000	\$ 418,402	\$ 952,402
2021	551,000	396,593	947,593
2022	578,000	373,900	951,900
2023	599,000	350,243	949,243
2024	625,000	325,640	950,640
2025 - 2029	3,507,000	1,224,070	4,731,070
2030 - 2034	4,281,000	443,788	4,724,788
	<u>\$ 10,675,000</u>	<u>\$ 3,532,636</u>	<u>\$ 14,207,636</u>

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*Street Sweepers*

On May 23, 2016 the City, using lease purchase financing, purchased a street sweeper. The City will make six annual payments of \$59,557 at 2.87% interest. On April 6, 2017 the City, using lease purchase financing, purchased a second street sweeper. The City will make six annual payments of \$58,774 at 2.57% interest. Debt payable of \$334,910 is recorded in the Storm Sewer Enterprise Fund at June 30, 2019.

Debt service requirements to maturity are as follows:

<u>2016 Street Sweeper</u> <u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 56,280	\$ 3,277	\$ 59,557
2021	57,895	1,662	59,557
	<u>\$ 114,175</u>	<u>\$ 4,939</u>	<u>\$ 119,114</u>
<u>2017 Street Sweeper</u> <u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 53,102	\$ 5,673	\$ 58,775
2021	54,466	4,308	58,774
2022	55,867	2,908	58,775
2023	57,300	1,473	58,773
	<u>\$ 220,735</u>	<u>\$ 14,362</u>	<u>\$ 235,097</u>

*Fire Engine*

On January 21, 2014, the City, using lease purchase financing, purchased a Rosenbauer Airwolf fire engine for \$398,997. The fire engine debt is funded 50% by the Airport Fund; see capital leases for governmental type activities for the remaining 50% under *Quantum Pumper Fire Engine & Rosenbauer Airwolf*. The City will make seven annual payments of \$30,849 for the portion associated to business-type activities, beginning on March 1, 2015 and ending on March 1, 2021 at 2.02% interest. Debt payable of \$59,877 is recorded in the Airport Fund at June 30, 2019.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 29,639	\$ 1,210	\$ 30,849
2021	30,238	611	30,849
	<u>\$ 59,877</u>	<u>\$ 1,821</u>	<u>\$ 61,698</u>

CITY OF SALINAS  
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HUD Section 108 Loan

On March 28, 2015, the City entered into a contract for Loan Guarantee Assistance with the Housing and Urban Development Department (HUD), pursuant to which the City will derive funds for the purposes permitted under the agreement, and will execute one or more City Notes in the maximum aggregate principal amount of up to \$9,390,000. During the fiscal year, the City executed a note numbered as B-12-MC-06-0005 (Community and Economic Development Fund – Industrial Waste Water Conveyance System Project) in the principal amount of \$4,000,000. The City of Salinas has pledged current and future Community Development Block Grants (CDBG) funds as principal security for the loan. The loan carries a variable interest rate of 20 points (0.2%) above the applicable LIBOR rate. As of June 30, 2019, \$2,820,000 of the loan balance is outstanding.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 425,000	\$ 63,947	\$ 488,947
2021	442,000	55,576	497,576
2022	460,000	45,795	505,795
2023	478,000	34,535	512,535
2024	497,000	21,721	518,721
2025 - 2029	518,000	7,382	525,382
	<u>\$ 2,820,000</u>	<u>\$ 228,956</u>	<u>\$ 3,048,956</u>

Bonds Payable

*Certificates of Participation, Series A-1999 – Golf Courses (Portion Refunded by Series A-2005 in 2005 and refunded again by Series A-2015)*

On March 16, 1999, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1999 totaling \$14,315,000. A portion of the Certificates was allocated for the construction of an animal shelter, \$1,250,338, and the balance of the Certificates, \$13,064,662 was allocated for construction of the new Twin Creeks (9-hole) Golf Course, \$8,221,604 and the renovation of Fairways Golf Course, \$4,843,058.

On August 24, 2004, the City entered into a sublease agreement with the Monterey Peninsula Foundation and its related foundation, Future Citizens Foundation, dba the First Tee of Monterey County providing for the lease of Twin Creeks golf course to Future Citizens Foundation. As a condition of the lease, the City repaid the portion of the 1999 Certificates attributable to the Twin Creeks golf course facility (about 57.5% of the lease payments of \$575,000) and refinanced that golf course portion with a new Refunding issue of Certificate of Participation.

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On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005A, in the amount of \$8,005,000, to refund the portion of the 1999 Certificates attributed to Twin Creeks. Refunding Certificates Series 2005A were issued for 24 years at 4.22%, and were secured by a lien on Twin Creeks golf course. The net value expense of the funding was \$117,298. The refunding was completed to issue qualified 501 (c) 3 bonds to provide for the operation of Twin Creeks golf course by First Tee of Monterey County.

With the closing of this financing, the sublease agreement with First Tee of Monterey County was finalized. Annual debt service for the 2005A Certificates (\$572,308) will be paid by the annual lease payments (\$575,000) from Future Citizens Foundation and guaranteed by the Monterey Peninsula Foundation. As with most City issued debt, the General Fund of the City backs the new Certificates and payment of debt service is ultimately the responsibility of the City.

At the request of First Tee of Monterey County, on December 6, 2011, the City approved a sublease payment reduction from \$575,000 to \$125,000 (an annual reduction of \$450,000). This request was the result of First Tee's significant unsustainable golf course operating losses experienced recently due to the downturn of the economy. With the goal of maintaining a quality of level of service to the thousands of golf youth participants and as the most cost effective alternative, the City Council approved the General Fund support through fiscal year 2015-16 to offset the reduced amount of the sublease to the First Tee of Monterey County.

On September 1, 2015, the City issued Refunding Certificates of Participation Series 2015, in the amount of \$11,440,000 at a 2.53% interest rate, to refund the outstanding portion of the 2005A Certificates of Participation (Twin Creeks) and the 2005B Certificates of Participation (Capital Improvements). Bond started September 1, 2015 and will end after 12 years on September 1, 2027.

The current refunding of the Certificates of Participation Series 2005-A (Business-type Activity) and 2005-B (Governmental Activity) reduced total debt service payments over the next 13 years by \$3,184,743. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,200,896.

Debt service requirements to maturity for the Twin Creeks Golf Course is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 380,000	\$ 79,189	\$ 459,189
2021	390,000	69,448	459,448
2022	400,000	59,455	459,455
2023	410,000	49,209	459,209
2024	420,000	38,709	458,709
2025 - 2029	1,320,000	50,600	1,370,600
	<u>\$ 3,320,000</u>	<u>\$ 346,610</u>	<u>\$ 3,666,610</u>



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*Certificates of Participation, Series A-2008 – Fairways Golf Course*

On August 2008, the City of Salinas was issued Refunding Certificates of Participation Series 2008, in the amount of \$4,660,000 at a variable interest rate, to refund the outstanding portion of the 1999 Certificate pertaining to the Fairways Golf Project. Bond started September 1, 2008 and will end after 30 years on September 1, 2038. Following the execution and delivery of the Certificates of Participation Series 2008, the 1999 Certificates, attributed to the animal shelter, will remain outstanding.

The annual debt service requirements to maturity for Fairways Golf Course are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 80,000	\$ 196,200	\$ 276,200
2021	90,000	192,600	282,600
2022	105,000	188,550	293,550
2023	115,000	183,825	298,825
2024	130,000	178,650	308,650
2025 - 2029	910,000	790,425	1,700,425
2030 - 2034	1,305,000	546,750	1,851,750
2035 - 2039	1,625,000	226,125	1,851,125
	<u>\$ 4,360,000</u>	<u>\$ 2,503,125</u>	<u>\$ 6,863,125</u>

*Series 2012 – Sanitary Sewer Revenue Bonds*

On February 8, 2012, the City of Salinas issued Sanitary Sewer System Revenue Bonds, Series 2012 in the amount of \$17,995,000 to provide funds for the current refunding of the City’s Sanitary Sewer System Revenue Bonds, Series 1998 and to finance capital replacement of existing sewer mains and other sewer related capital replacement. Maximum annual debt service is \$1,022,406, including interest ranging from 1.0% to 4.4% for 30 years. The City is authorized under Chapter 36, Article II, Division 5 of the Salinas City Code, to levy a sewer fee for the purpose of paying sanitary sewer related expenses of the City. On January 10, 2012, the City Council approved adjustments to wastewater collection fees effective February 1, 2012 to reflect the cost of wastewater conveyance through the Enterprise and an amount to cover debt service. The fee is billed by the Monterey Regional Water Pollution Control Agency. Debt payable of \$15,470,000 is recorded in the Sanitary Sewer Enterprise Fund at June 30, 2019.

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Debt service requirements and maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 405,000	\$ 615,881	\$ 1,020,881
2021	420,000	601,406	1,021,406
2022	430,000	584,406	1,014,406
2023	450,000	566,806	1,016,806
2024	470,000	550,756	1,020,756
2025 - 2029	2,595,000	2,485,081	5,080,081
2030 - 2034	3,155,000	1,919,872	5,074,872
2035 - 2039	3,840,000	1,207,306	5,047,306
2040 - 2044	3,705,000	323,106	4,028,106
	<u>\$ 15,470,000</u>	<u>\$ 8,854,620</u>	<u>\$ 24,324,620</u>

**Conduit Debt**

In June of 1999, the City of Salinas issued Multifamily Housing Revenue Bonds, Series 1999A (\$5,310,000 tax-exempt) and 1999A-T (\$390,000 taxable) for the construction of a 132-unit senior apartment project. Twenty percent (20%) of the project is designated to be affordable to seniors. As of June 30, 2019, the total conduit debt outstanding related to these bonds is \$3,700,000.

On June of 2007, the City of Salinas issued Economics Development Revenue Bonds, Series 2007A (\$18,655,000 tax-exempt) and 2007B (\$1,570,000 taxable) for the acquisition of a building located at 1000 Main Street in Salinas. The building is currently leased in part to the County of Monterey Department of Social Services. The project intends to provide monthly rental at below the market value rates to the County of Monterey, a one-million-dollar premise improvement allowance to the Department of Social Services to renovate and upgrade its space in the building and to generate charitable support for the County's residents. The debt was refinanced in 2016 as series 2016A and 2016B. As of June 30, 2019, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$17,215,000.

Pursuant to the bond purchase agreements, the City of Salinas has no obligation related to the repayment of these bonds. Accordingly, the bonds are not reported as liabilities in the City's financial statements.

19. **Restricted Net Position:**

The government-wide statement of net position reports \$87,701,244 of restricted net position, of which enabling legislation restricts \$1,620,200 represented by the net position held at the Sanitary Sewer Fund.

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20. Unearned Revenues and Deferred Inflows of Resources, Net of Allowance:

Governmental funds report unearned revenues in connection with funds received, in advance for which assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Receivables for revenues not considered available to liquidate liabilities of the current period are considered unavailable revenues and reported as deferred inflows of resources on the governmental funds. Unearned revenues are stated at \$6,162,023, in the Government-Wide Statements. Governmental funds report \$517,023 of unearned revenues and \$9,744,864 of deferred inflows of resources that are not available resources.

Unearned revenues and unavailable revenues, net of allowance of the governmental activities at June 30, 2019 consist of the following:

Major funds:

Assessment district debt service unavailable assessments receivable	\$ 5,645,000
Special Construction Assistance unearned revenue	506,285
Special Construction Assistance unavailable grants receivable	897,648

Non-major funds:

Housing and urban development unavailable housing loans	
Housing rehab loans	1,379,487
First time homebuyers loans	1,237,232
CDBG/home program deferred inflows or resources	18,316,773
Less: allowance for doubtful accounts	(20,723,458)
Net housing and urban development loans	210,034
Unavailable grants receivable	655,778
Total housing and urban development	865,812
Affordable Housing unavailable housing loans	
Low & moderate incoming housing loans	11,590,413
Less: allowance for doubtful accounts	(11,573,842)
Net affordable housing loans	16,571
Unavailable grants receivable	1,054,748
Total affordable housing	1,071,319
Grants	
Unearned revenue	10,738
Unavailable grants receivable	346,292
Total Grants	357,030
Special aviation	
Unavailable grants receivable	918,793
Total governmental activities	\$ 10,261,887

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Notes to Basic Financial Statements  
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21. Prior Period Adjustment:

Implementation of new accounting standard - for the fiscal year ended June 30, 2019, the City implemented the provisions of GASB No. 84 – *Fiduciary Activities*. As part of implementing the requirements, prior period adjustments totaling \$1,745,506 were made to increase the City’s beginning net position as of July 1, 2018 for amounts that had been previously reported as fiduciary activities. The adjustment included transfers \$1,399,735 to the general fund, \$326,682 to non-major special revenue funds, \$2,186 to Airport, and \$16,903 to Permit Services.

The provision of GASB No. 84 also added the OPEB and NYL pension trusts to the pension trust fund as of July 1, 2018 in the amounts of \$2,306,078 and \$3,168,639, respectively.

Correction of error - during 2019, management evaluated the unearned revenues of the non major funds and determined that \$1,351,773 had met all revenue recognition criteria. As a result, management increased net position by \$1,351,773. In addition, the City discovered that two fire vehicles and a police tactical vehicle had been inadvertently expensed in the prior year. A correction was made in the amount of \$1,654,542 to increase the City’s beginning net position as of July 1, 2018 and add the vehicles to the City’s capital assets.

	<u>Prior Period Adjustment</u>	<u>Implimentation of GASB 84</u>	<u>Correction for Unearned Revenues</u>	<u>Correction for Capital Assets</u>
Net Position				
Governmental Activities	\$ 4,732,732	\$ 1,726,417	\$ 1,351,773	\$ 1,654,542
Business-type Activities				
Airport	2,186	2,186	-	-
Permit Services	16,903	16,903	-	-
Total Business-type Activites	19,089	19,089	-	-
Total Government-wide	<u>\$ 4,751,821</u>	<u>\$ 1,745,506</u>	<u>\$ 1,351,773</u>	<u>\$ 1,654,542</u>
Fiduciary Net Position				
Private Purpose Trust Fund	\$ (1,623,506)	\$ (1,623,506)	\$ -	\$ -
Pension Trust Fund	\$ 5,474,717	\$ 5,474,717	\$ -	\$ -
Custodial Funds	\$ (122,000)	\$ (122,000)	\$ -	\$ -

22. Fund Balance:

It is the policy of the City to maintain a minimum reserve for a reasonable level of assurance that the City’s day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures. The minimum reserve of the General Fund is 5% of the next year’s General Fund annual budgeted operating expenditures, as calculated by the Finance Director. The minimum fund balance is shown as unassigned in the General Fund.

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Fund balance for governmental funds as of June 30, 2019 consists of the following:

	<b>General, Measure E, &amp; Measure G</b>	<b>Assessment District Debt Service</b>	<b>Special Construction Assistance</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total</b>
Nonspendable:					
Inventory	\$ 11,019	\$ -	\$ -	\$ -	\$ 11,019
Loans & Notes Receivable	-	-	-	226,605	226,605
Due from outside agencies	75,000	-	-	-	75,000
Advances	6,085,000	-	-	-	6,085,000
Land Held for Resale	-	-	-	2,507,553	2,507,553
	<u>6,171,019</u>	<u>-</u>	<u>-</u>	<u>2,734,158</u>	<u>8,905,177</u>
Restricted for:					
Public Safety	-	-	-	1,566,008	1,566,008
Future Development	-	-	-	15,439,654	15,439,654
Maintenance District	-	-	-	6,386,029	6,386,029
Recreation Parks	-	-	-	61,033	61,033
Community Development	-	-	-	214,885	214,885
Franchise-Cable	-	-	-	486,401	486,401
Street Repairs	-	-	-	11,256,231	11,256,231
Municipal Arts	-	-	-	21,152	21,152
Grants	-	-	-	2,544,511	2,544,511
Low/Moderate Housing	-	-	-	2,138,865	2,138,865
Capital Projects	-	-	38,135,129	1,870,321	40,005,450
Debt Service	-	1,086,619	-	3,760,248	4,846,867
	<u>-</u>	<u>1,086,619</u>	<u>38,135,129</u>	<u>45,745,338</u>	<u>84,967,086</u>
Committed for:					
Capital Projects	5,038,675	-	-	2,000,000	7,038,675
Assigned for:					
Other Purposes	13,027,664	-	-	-	13,027,664
Carryover Appropriations	17,364,398	-	-	-	17,364,398
Capital Projects	346,941	-	-	-	346,941
	<u>30,739,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,739,003</u>
Unassigned:					
Operations-Reserve	10,702,000	-	-	-	10,702,000
Other Unassigned	(378,456)	-	(897,648)	(2,982,752)	(4,258,856)
	<u>10,323,544</u>	<u>-</u>	<u>(897,648)</u>	<u>(2,982,752)</u>	<u>6,443,144</u>
Total Fund Balances	<u>\$ 52,272,241</u>	<u>1,086,619</u>	<u>\$ 37,237,481</u>	<u>\$ 47,496,744</u>	<u>\$ 138,093,085</u>

23. Encumbrance:

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

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As of June 30, 2019, total governmental fund encumbrance balances for the City are as follows:

General Fund, Measure E, & Measure G	\$	2,695,544
Special Construction Assistance		2,643,877
Nonmajor governmental funds		240,561
		\$ 5,579,982

24. Joint Venture – Salinas Valley Solid Waste Authority:

The Authority is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997 (the “Authority Agreement”) among the County of Monterey, and the cities of Salinas, Gonzales, Greenfield, Soledad, and King City (the “Members”). The Authority was established to acquire and manage the landfill assets of each member, ensure long-term landfill capacity of the Authority service area and provide a unified and coordinated solid waste management for the members.

The Authority is governed by a nine member governing board, consisting of three members of the Salinas City Council, two members of the Monterey County Board of Supervisors, and one City council member each from the cities of Gonzales, Greenfield, King City and Soledad. Pursuant to the Authority Agreement, while the City of Salinas does not have unilateral control over the activities of the Authority, the affirmative vote of at least one member of the Authority Board who is a member of the Salinas City Council is required to approve Board actions.

With the formation of the Authority, each participating jurisdiction contractually agreed to its responsibilities. In addition, the Authority adopted waste delivery agreements with each Member of the Authority. Each member has committed to deliver waste generated within its boundaries to the Authority’s solid waste facilities, to direct its franchise/permitted solid waste haulers to dispose of waste at these facilities, and to pay tipping fees set by the Authority to cover all Authority-related costs.

The commitments provided by the Members are for a minimum period of 15 years (2012) from the date of the Authority Agreements. Thereafter, the agreement may be terminated under specific terms of withdrawal, which includes a majority vote of the City Council, repayment of all outstanding debt and funding of closure, post closure and site remediation costs upon withdrawal from or termination of the Authority. The members have made no equity contributions, or have sold their interest in their assets to the Authority, and there is no explicit, measurable equity interest in this joint venture.

The City had no measurable equity interest in the Authority and does not receive a share of operating results. The Authority is currently funding the closure, post closure and site remediation costs based on estimates of these future costs.

The Annual Financial Report of the Salinas Valley Solid Waste Authority is published and available from the Authority Treasurer at the Authority’s Finance Department located at 128 Sun Street, Suite 101, Salinas, CA 93901.

CITY OF SALINAS  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019

25. Commitments and Contingent Liabilities:

Various claims and lawsuits are pending against the City. Although the outcome of those claims and lawsuits are not presently determinable, in the opinion of the City Attorney the resolution of these matters are within the self-insured retention and are not likely to have a material adverse effect on the financial condition of the City.

26. Successor Agency to the Salinas Redevelopment Agency:

Cash and Investments – Cash and investments at June 30, 2019 consisted of the following:

Cash and investments	\$ 2,968,884
Restricted cash and investments	<u>1,591,907</u>
 Total Cash and Investments	 <u><u>\$ 4,560,791</u></u>

Cash and investments of \$1,591,907 recorded as restricted assets are restricted to cover debt service. These funds are held by the City's fiscal agent.

Capital Assets – The following is a summary of the Agency's capital assets at June 30, 2019:

	Balance June 30, 2018	Additions	Adjustments/ Retirements	Balance June 30, 2019
<b>Fiduciary Activities</b>				
Capital assets, not being depreciated				
Land	\$ 149,270	\$ -	\$ -	\$ 149,270
Total assets not being depreciated	<u>149,270</u>	<u>-</u>	<u>-</u>	<u>149,270</u>
Capital assets, being depreciated				
Improvements other than buildings	17,840	-	-	17,840
Total assets being depreciated	<u>17,840</u>	<u>-</u>	<u>-</u>	<u>17,840</u>
Less accumulated depreciation	<u>(17,840)</u>	<u>-</u>	<u>-</u>	<u>(17,840)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary Activities capital assets, net	<u><u>\$ 149,270</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 149,270</u></u>

CITY OF SALINAS  
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Long Term Debt – The following is a summary of the long term debt at June 30, 2019:

	June 30, 2018	Increases	Decreases	June 30, 2019	Due Within One Year
Fiduciary-type Activities					
Loans and Notes Payable:					
Homeless Shelter	\$ 157,500	\$ -	\$ -	\$ 157,500	\$ -
Total Loans & Notes Payable	157,500	-	-	157,500	-
Tax Allocation Refunding Bonds:					
Series A-1996	1,975,000	-	(110,000)	1,865,000	115,000
Series A-1992	926,346	-	(210,861)	715,485	197,604
Total Bonds Payable	2,901,346	-	(320,861)	2,580,485	312,604
Subtotal	3,058,846	-	(320,861)	2,737,985	312,604
Unamortized Bond Discount	(53,511)	-	8,919	(44,592)	(8,919)
Fiduciary-type Activities	<u>\$ 3,005,335</u>	<u>\$ -</u>	<u>\$ (311,942)</u>	<u>\$ 2,693,393</u>	<u>\$ 303,685</u>

The annual requirements to amortize loans and notes and bonds outstanding as of June 30, 2019 by activity are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 312,604	\$ 1,119,148	\$ 1,431,752
2021	309,342	1,123,234	1,432,576
2022	302,406	1,128,660	1,431,066
2023	296,133	1,132,380	1,428,513
2024	1,360,000	37,400	1,397,400
2025 - 2029	-	-	-
2030 - 2034	-	-	-
2035 - 2045	157,500	-	157,500
	<u>\$ 2,737,985</u>	<u>\$ 4,540,822</u>	<u>\$ 7,278,807</u>

Loans and Notes Payable

*Homeless Shelter Loan – Green Gold Inn*

On March 7, 1995, the Salinas Redevelopment Agency – Central Agency Revitalization Project entered into a funding agreement and received a loan from the City of Salinas Community Development Block Grant Fund for the acquisition of property, Green Gold Inn at 28-32 Soledad Street, to establish a homeless center/shelter. The Agency agreed that the property would be used solely for a homeless center/shelter for a period not less than ten years. If the Agency or the organization holding title to the property disposes of the property or alters the use of the property prior to expiration of the ten year period, the Agency will reimburse the City the full amount of the current fair market value less improvement costs.



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Upon completion of the ten-year period, one half of the debt, \$157,500, was forgiven. Upon cessation of the homeless center/shelter operations, the City will be reimbursed the fair market value of the property less the portion of the loan paid and improvement costs.

Debt service requirements for Green Gold Inn homeless center/shelter no interest loan is as follows:

Year Ended June 30,	Principal	Interest	Total
2029-2041	\$ 157,500	\$ -	\$ 157,500

Tax Allocation Bonds

On August 28, 1996, the former Salinas Redevelopment Agency issued \$11,145,000 of Tax Allocation Bonds Series A-1996. On October 27, 1992, the former Redevelopment Agency issued \$6,541,178 of Refunding Tax Allocation Bonds Series A-1992. The bonds were issued to complete project improvements in the Central Agency Revitalization Project area. The bonds were repaid from property taxes levied within the Salinas Redevelopment Agency Central City Revitalization Project through January 31, 2012, the dissolution date. This debt is now being paid with taxes received from the Redevelopment Property Tax Trust Fund in accordance with the Recognized Obligation Payments Schedule submitted by the Successor Agency and approved by the State Department of Finance.

The annual debt service requirements for the bonds at June 30, 2019 are as follows:

Year Ended June 30,	TAB Series A-1996		TAB Series A-1992	
	Principal	Interest	Principal	Interest
2020	\$ 115,000	\$ 99,413	\$ 197,604	\$ 1,019,735
2021	125,000	92,813	184,342	1,030,421
2022	130,000	85,800	172,406	1,042,860
2023	135,000	78,513	161,133	1,053,867
2024	1,360,000	37,400	-	-
	\$ 1,865,000	\$ 393,939	\$ 715,485	\$ 4,146,883

The Series A-1996 bond issue has a term bond of \$4,510,000 that matures on November 1, 2023. Debt service payments beginning in fiscal year 2011-2012 are deposits into a sinking fund. The term bonds are subject to redemption prior to maturity from the sinking fund installments on each November 1 on and after November 1, 2011 without premium according to a specified schedule, which is used in these debt service requirements.

The Series A-1992 bond issue has a term bond of \$2,638,475 that matures on November 1, 2022. Debt service payments beginning in fiscal year 2009-2010 are deposits into a sinking fund. The term bonds are subject to redemption prior to maturity from the sinking fund installments on each

CITY OF SALINAS  
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November 1 on and after November 1, 2009 without premium according to a specified schedule that is used in these debt service requirements.

*Unamortized Bond Discount*

The Statement of Net position includes an unamortized bond discount of \$53,511 in Debt Payable-Due in More than One Year-Net of Discounts. The 1996 Tax Allocation Revenue Bonds were sold at a discount of \$249,729. The discount is being amortized over the life of the bond issue (28 years) at an annual rate of \$8,919.

At June 30, 2019 the 1996 Tax Allocation Revenue Bonds unamortized discount was as followed:

	June 30, 2018	Increases	Decreases	June 30, 2019
Tax Allocation Bond, Series A-1996	\$ 53,511	\$ -	\$ (8,919)	\$ 44,592

Commitment to Monterey Street Parking Structure – In November 2001, the City Council and the Agency entered into a Disposition and Development Agreement (DDA) with Maya Cinema Holding Company LLC for the development of a 14-Screen, 2,916-seat multiplex movie theater complex on the 100 block of Main Street. To serve this and other developments within the 100 blocks, the DDA committed the City/Agency to construct a five-level, 435-space public parking structure on the corner of Monterey Street and Market Street adjacent to the National Steinbeck Center and the Maya Cineplex Theater. The public parking garage opened in June 2005, while the Maya Cinemas Multiplex was completed and opened during July 2005. During FY 2013-14 the Certificates of Participation 2004 that funded the construction of the Monterey Street Parking Structure with a balance of \$13,870,000 at January 2014, was refinanced through the Salinas Facilities Financing Authority by a direct private lease placement with Western Alliance Bancorporation. Because the debt service for the 2004 Certificates was reimbursed to the City from redevelopment tax increment, the savings from the 2004 Certificates was distributed to affected taxing entities as apportioned by the County of Monterey, including a portion for the City, due to the dissolution of the City’s Redevelopment Agency. With this refinancing, the average annual debt service requirement was reduced by approximately \$123,000.

27. Subsequent Events:

On December 6, 2018, the City of Salinas (the “City”) issued a notice of intention to withdraw from the Joint Powers Agreement (the “Agreement”) between the City of Gonzales, the City of Greenfield, the City of King, the City of Soledad, and the County of Monterey, (collectively “the Authority”). Pursuant to Section 19 of the Joint Powers Agreement, the notice serves as a one-year notice. The City’s notice of intent to withdraw as a member of the Authority merely served as notice to the Authority and its remaining members, and triggered a one-year period during which the Authority would be required to take action to reflect the changed membership status. The one-year mark has passed and the City is still doing further analysis on whether to withdraw from the JPA or not.

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The City understands and acknowledges its obligation to continue paying its share of the 2014 Bonds as regularly scheduled and agrees to continue paying its share of the obligation after withdrawal from the Authority, should withdrawal actually occur. In addition, the City understands and acknowledges its obligation to pay its share of the Authority's legacy costs as further described in Section 19(a) of the Agreement. If the City actually withdraws from the Authority beginning in 2020 and annually thereafter the City will have to meet this obligation.

The City has evaluated subsequent events through December 12, 2019, the date these financial statements were available to be issued.



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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**



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BUDGETING

The budget is prepared by the City Manager and adopted by the City Council. The City Council approves operating appropriations at the department and fund level prior to July 1, each year and may amend the budget during the fiscal year. Budgetary control is maintained at the program level. Formal budgetary integration was employed as a management control device during the fiscal year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds and Internal Service Funds.

Budgets are legally adopted for all Governmental and Proprietary Fund Types. Fiduciary Funds and Agency Funds have no adopted budgets because the City is only required to make payments to the extent funds are available. Agency Fund budgets that are approved by their respective governing boards are recorded in the City's accounting system.

The City Manager may transfer budget appropriations between departments and Department Directors may transfer appropriations between programs and accounts within their individual departments and divisions, but only the Council may appropriate funds from reserves or fund balances.

Budget policy excludes the use of taxes, accounts receivable, interest receivable assets and long-term advances that are not currently available resources for budget purposes. Condemnation deposits, are also excluded because they are returned upon right of way acquisition.

Expenditures may not legally exceed budgeted appropriations at the department level. Budgeted amounts shown are as originally adopted and as amended by the City Council during the year. During the year, Council amends the budget with the approval of supplemental appropriations and reviews and amends the budget at mid-year and at year-end.

Appropriations lapse at fiscal year end to the extent they have not been expended. New budget appropriations are approved for the coming year. Project-length financial plans are adopted for all capital projects funds and appropriations are carried forward until project completion. Grant funds are carried forward until the grant expires.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are recorded as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. Measure V is a general tax and is reported as part of the General Fund. The tax was effective April 1, 2005 and had an original sunset of ten (10) years. Measure V was revised by the voters on November 6, 2012 eliminating a termination date on the imposition of the tax through Measure E. The Measure E Oversight Committee is a fundamental provision of the voter-approved tax. The Mayor and City Council each annually appoints one member of the public to serve on the Oversight Committee. The committee is responsible for and overseeing the use of Measure E funds to assure consistency with the voter approved tax and the appropriated use of Measure E funds.

On November 4, 2014, the voters of Salinas approved Measure G (For a Safer Better Salinas), a 1.00% transactions and use tax. Measure G is a general tax and is reported as part of the General Fund. The tax was effective April 1, 2015 and had a sunset date of fifteen (15) years. The Measure G Oversight Committee is a fundamental provision of the voter-approved tax. The Mayor and City Council each annually appoints one member of the public to serve on the Oversight Committee. The committees' main responsibilities include the review of the auditor's report of the specific uses of Measure G funds and to issue a public report to the City Council regarding the use of revenue and such other matters as the City Council may assign.

**BUDGETARY INFORMATION**

The adopted FY 2018-19 budget represents the financial and organizational plan by which the policies and programs approved by the City Council will be implemented. It includes: (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The City's goals and objectives identified by the City Council in the Strategic Plan thru 2019 was approved on June 14, 2016, following strategic planning sessions on January 23 and March 1, 2016 and are as follows:

- Economic Development and Prosperity
- Safe Livable Community - Salinas as a City of Peace
- Effective, Sustainable Government
- Excellent Infrastructure
- Quality of Life



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On May 29, 2018, the City Council was introduced and reviewed the proposed operating budget for the City of Salinas and Successor Agency. The Salinas City Council adopted FY 2018-19 Annual Operating Budgets on June 5, 2018. Capital project budget is updated annually.

Annual budgets are prepared for General Governmental Funds, Internal Service, Enterprise Operations, Assessment and maintenance Districts, Block Grant and Home programs, certain Grant and City Agencies, Deferred Compensation and Retirement, Debt Service, Successor Agency and Capital Project Funds.

The annual appropriation resolution adopts the budget at an appropriation level by fund, with detail expenditure by departments and programs included in the budget document.

GENERAL FUND

The General Fund fund balance decreased \$10,803,399 to \$24,444,051, of which \$6,171,019 is Non-spendable, \$650,461 is committed, \$10,996,190 is assigned and \$6,626,381 is unassigned.

General Fund reserves have been set-aside by Council for specific purposes. Under the Reserved fund balance category, the General Fund Non-spendable fund balance of \$6,626,381 includes Inventory (\$11,019), Due from outside agencies (\$75,000) and Advances (\$6,085,000). Committed funds balance of \$650,461 is designated for future encumbrances. Carryover Appropriations of \$9,13,891, \$2,500,000 assigned to fund the New York Life retirement account, and other purposes of \$6,085,845 are under the \$10,996,190 Assigned fund balance category.

The General Fund unassigned fund balance is made up of \$6,830,000 is reserved for operations , \$1,150,000 for the Deficit Reduction Reserve, coupled with (\$1,353,619) of future funds required to meet the fund balance reserves at June 30, 2019.

MEASURE E

Measure E is a general tax (discretionary) and is reported as part of the General Fund. The Measure E fund balance increased \$2,271,258 to \$8,674,320, of which \$152,884 is committed to future Capital Projects, \$6,532,506 is assigned and \$1,988,930 is unassigned. The \$962,000 of Measure E unassigned fund balance is reserved for operations.

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MEASURE G

Measure G is a general tax (discretionary) and is reported as part of the General Fund. The Measure G fund balance increased \$3,883,908 to \$19,153,870, of which \$1,400,000 is Non-spendable, \$4,235,330 is committed for future capital projects, \$13,210,308 is assigned and \$1,708,232 is unassigned. The Measure G Fund unassigned fund balance of \$1,760,000 represents a modest reserve for operations at June 30, 2019.

BUDGETARY RESULTS RECONCILED TO GAAP

The budgetary process is based upon accounting for certain transactions on a basis other than the accounting principles generally accepted in the United States (GAAP) basis. The results of operations are presented in the accompanying budget and actual comparison schedules in accordance with the budgetary process (budgetary basis) to provide a meaningful comparison with the budget. The major differences between the budgetary basis actual and GAAP basis are as follows:

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial statements, while encumbered amounts are not recognized as expenditures on the GAAP basis until the equipment, supplies, or services are received.
- Certain loan transactions are recognized as expenditures for the budgetary basis but not for the GAAP basis. When these loans are made, they are recorded as receivables for the GAAP basis and as expenditures for the budgetary basis. When loan repayments are received, they are recorded as reductions to receivables for the GAAP basis, but are recognized as revenues for the budgetary basis.
- Certain accounts such as the change in fair market value of investments included in the City's GAAP basis amounts, for which no formal budgets are prepared, are excluded from the budgetary basis financial statements.
- Certain grant revenues received in advance are recognized on the budgetary basis financial statements, but are deferred and not recognized as revenue on the GAAP basis financial statements. This process normally creates a variance in recognized revenue from the prior year to the current year.

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BUDGET REVISIONS

The following is a summary of the actions taken after the approval on February 19, 2019 of the mid-year adjustments to the fiscal year 2018-19 budget:

- General Fund adjusted upwards its revenue by \$1,200,000 for transient occupancy tax (TOT) and \$400,000 for investment earnings. The operating budget was also increased by \$1,077,814. The Capital Project budget increased in the same mid-year council action by \$2,478,890 for a variety of projects.

The budget amounts presented in the accompanying schedule of revenues, expenditures, and changes in fund balances – budget and actual (budgetary basis) reflect such budget revisions.



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**FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2018	\$ 35,313,076	\$ 35,313,076	\$ 35,313,076	\$ -
Resources (inflows):				
Taxes	124,600,660	125,200,660	127,139,518	1,938,858
Licenses and Permits	942,394	942,394	7,490,908	6,548,514
Intergovernmental	631,400	631,400	933,586	302,186
Charges for Services	4,312,100	4,336,100	5,685,066	1,348,966
Interest	307,000	707,000	1,871,068	1,164,068
Rental Income	385,800	385,800	370,372	(15,428)
Fines and forfeits	280,000	280,000	321,889	41,889
Miscellaneous	580,500	580,500	990,477	409,977
Operating Transfers In	3,837,730	4,348,230	4,298,230	(50,000)
Total Resources	<u>135,877,584</u>	<u>137,412,084</u>	<u>149,101,114</u>	<u>11,689,030</u>
Charges to Appropriations (outflows):				
General Government	19,295,705	19,354,740	16,316,339	3,038,401
Public Safety	73,520,633	74,202,584	72,741,824	1,460,760
Public Works	11,558,120	12,048,438	11,235,904	812,534
Recreation	3,455,945	3,864,793	3,807,537	57,256
Library	5,078,563	5,085,510	4,739,101	346,409
Capital Outlay	575,067	898,262	746,267	151,995
Transfers Out	25,152,817	38,963,864	22,554,977	16,408,887
Total Charges to Appropriations	<u>138,636,850</u>	<u>154,418,191</u>	<u>132,141,949</u>	<u>22,276,242</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(2,759,266)</u>	<u>(17,006,107)</u>	<u>16,959,165</u>	<u>33,965,272</u>
Fund Balance, June 30, 2019	<u>\$ 32,553,810</u>	<u>\$ 18,306,969</u>	<u>\$ 52,272,241</u>	<u>\$ 33,965,272</u>

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**FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2018	\$ 6,403,062	\$ 6,403,062	\$ 6,403,062	\$ -
Resources (inflows):				
Taxes	12,555,000	12,555,000	13,688,397	1,133,397
Interest	33,000	33,000	121,120	88,120
Miscellaneous	-	-	2,242	2,242
Transfers In	699,460	699,460	699,460	-
Total Resources	<u>13,287,460</u>	<u>13,287,460</u>	<u>14,511,219</u>	<u>1,223,759</u>
Charges to Appropriations (outflows):				
General Government	497,820	442,820	291,777	151,043
Public Safety	4,075,860	4,097,365	3,826,788	270,577
Public Works	729,700	729,700	746,311	(16,611)
Recreation	1,377,170	1,371,581	1,429,249	(57,668)
Library	5,078,563	5,085,510	4,739,101	346,409
Capital Outlay	35,000	144,467	142,867	1,600
Transfers Out	4,261,810	3,558,878	1,063,868	2,495,010
Total Charges to Appropriations	<u>16,055,923</u>	<u>15,430,321</u>	<u>12,239,961</u>	<u>3,190,360</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(2,768,463)</u>	<u>(2,142,861)</u>	<u>2,271,258</u>	<u>4,414,119</u>
Fund Balance, June 30, 2019	<u>\$ 3,634,599</u>	<u>\$ 4,260,201</u>	<u>\$ 8,674,320</u>	<u>\$ 4,414,119</u>

**CITY OF SALINAS**  
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**MEASURE G FUND**  
**FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2018	\$ 15,269,962	\$ 15,269,962	\$ 15,269,962	\$ -
Resources (inflows):				
Taxes	24,943,000	24,943,000	27,453,643	2,510,643
Interest	70,000	70,000	307,579	237,579
Miscellaneous	500	500	-	(500)
Total Resources	<u>25,013,500</u>	<u>25,013,500</u>	<u>27,761,222</u>	<u>2,747,722</u>
Charges to Appropriations (outflows):				
General Government	1,314,660	1,314,660	1,227,190	87,470
Public Safety	10,259,290	10,318,962	10,109,246	209,716
Public Works	1,361,510	1,384,210	1,093,042	291,168
Recreation	1,090,400	1,494,492	1,428,727	65,765
Capital Outlay	135,300	159,980	127,745	32,235
Transfers Out	10,697,525	22,161,412	9,891,364	12,270,048
Total Charges to Appropriations	<u>24,858,685</u>	<u>36,833,716</u>	<u>23,877,314</u>	<u>12,956,402</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>154,815</u>	<u>(11,820,216)</u>	<u>3,883,908</u>	<u>15,704,124</u>
Fund Balance, June 30, 2019	<u>\$ 15,424,777</u>	<u>\$ 3,449,746</u>	<u>\$ 19,153,870</u>	<u>\$ 15,704,124</u>

**CITY OF SALINAS**  
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**DEVELOPMENT FEES FUND**  
**FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2018	\$ 14,483,405	\$ 14,483,405	\$ 14,483,405	\$ -
Resources (inflows):				
Charges for Services	543,500	543,500	1,653,947	1,110,447
Interest	70,000	70,000	321,475	251,475
Total Resources	<u>613,500</u>	<u>613,500</u>	<u>1,975,422</u>	<u>1,361,922</u>
Charges to Appropriations (outflows):				
Transfers Out	<u>255,000</u>	<u>12,544,293</u>	<u>1,019,173</u>	<u>11,525,120</u>
Total Charges to Appropriations	<u>255,000</u>	<u>12,544,293</u>	<u>1,019,173</u>	<u>11,525,120</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>358,500</u>	<u>(11,930,793)</u>	<u>956,249</u>	<u>12,887,042</u>
Fund Balance, June 30, 2019	<u>\$ 14,841,905</u>	<u>\$ 2,552,612</u>	<u>\$ 15,439,654</u>	<u>\$ 12,887,042</u>



**CITY OF SALINAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**CLAIMS DEVELOPMENT**  
**INTERNAL SERVICE FUNDS-GENERAL LIABILITY INSURANCE**  
**LAST TEN FISCAL YEARS**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Net earned required contribution and investment revenues	\$ 1,343,428	\$ 814,131	\$ 910,555	\$ 952,735	\$ 971,785	\$ 1,892,297	\$ 1,019,378	\$ 1,074,526	\$ 863,563	\$ 342,324
Unallocated expenses	348,331	315,065	350,753	338,630	353,537	334,291	339,171	314,127	374,303	651,645
Estimated incurred claims and expenses, end of policy year	39,595	102,556	83,079	522,131	161,668	965,536	234,565	36,271	7,532	892,986
Paid Claims as of:										
End of policy year	5,487	14,877	7,665	30,214	18,140	55,188	116,262	15,603	6,310	75,401
One year later	150,457	93,839	245,112	172,798	635,352	282,538	20,991	227,379	22,088	
Two years later	789,862	190,588	466,599	375,290	842,560	570,687	64,153	846,232		
Three years later	1,307,381	224,592	983,571	1,021,746	1,345,021	679,871	65,043			
Four years later	1,466,325	224,959	1,081,157	1,133,620	1,635,636	732,404				
Five years later	1,467,548	224,959	935,894	1,135,208	1,676,450					
Six years later	1,515,447	721,261	935,894	1,217,035						
Seven years later	787,412	721,261	935,894							
Eight years later	787,412	721,261								
Nine years later	787,412									
Reestimated incurred claims and expenses:										
End of policy year	39,595	102,556	83,079	522,131	161,668	965,536	234,565	36,271	7,532	892,986
One year later	280,903	174,137	870,512	638,797	2,233,535	865,213	194,433	357,416	796,619	
Two years later	1,463,367	219,220	942,962	1,085,173	2,280,849	1,554,039	79,955	1,714,261		
Three years later	1,580,287	225,383	1,371,990	1,046,887	1,960,665	730,656	94,678			
Four years later	1,552,896	224,959	1,439,018	1,549,402	1,748,340	1,742,087				
Five years later	1,548,767	224,959	935,894	1,697,321	9,802,320					
Six years later	1,563,767	752,370	934,894	9,802,320						
Seven years later	787,412	721,261	935,894							
Eight years later	787,412	721,261								
Nine years later	787,412									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	747,817	618,705	852,815	9,280,189	9,640,652	776,551	(139,887)	1,677,991	789,087	-

**CITY OF SALINAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**CLAIMS DEVELOPMENT**  
**INTERNAL SERVICE FUNDS-WORKERS COMPENSATION INSURANCE**  
**LAST TEN FISCAL YEARS**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Net earned required contribution and investment revenues	\$ 4,505,413	\$ 5,353,747	\$ 9,173,838	\$ 7,472,705	\$ 4,377,425	\$ 6,130,921	\$ 13,748,053	\$ 4,743,276	\$ 4,922,253	\$ 6,079,547
Unallocated expenses	249,818	285,858	292,754	323,122	360,203	335,408	471,472	334,542	1,056,134	210,341
Estimated incurred claims and expenses, end of policy year	1,460,583	937,398	1,720,157	2,243,630	1,666,909	1,432,029	813,874	953,545	1,284,514	1,222,180
Paid claims (cumulative) as of:										
End of policy year	660,835	403,754	533,708	646,857	950,284	334,254	333,561	357,390	346,475	722,652
One year later	2,113,115	1,308,910	1,864,818	1,634,364	1,371,978	1,597,521	1,061,264	1,070,983	1,177,834	
Two years later	2,835,706	1,711,483	2,854,520	1,959,739	1,927,023	2,162,775	1,602,857	1,997,607		
Three years later	3,543,291	1,962,598	3,136,125	2,340,805	2,409,062	2,554,090	1,895,742			
Four years later	4,112,174	2,198,461	3,456,515	2,907,257	2,621,000	2,706,246				
Five years later	4,292,478	2,297,187	3,656,404	3,137,059	2,699,388					
Six years later	4,469,158	2,499,906	3,941,332	4,169,602						
Seven years later	4,461,874	2,637,234	4,403,885							
Eight years later	4,731,649	2,760,940								
Nine years later	4,839,006									
Reestimated incurred claims and expenses:										
End of policy year	1,460,583	937,398	1,720,157	2,243,630	1,666,909	1,432,029	813,874	953,545	1,284,514	1,222,180
One year later	3,280,511	2,328,492	4,335,777	3,285,111	2,218,693	2,641,671	1,711,199	1,934,390	1,833,783	
Two years later	5,310,361	2,538,085	4,746,128	3,764,688	3,204,843	3,520,776	2,433,616	2,924,696		
Three years later	5,982,979	2,654,485	4,801,869	4,196,279	3,674,042	3,793,217	2,406,924			
Four years later	5,975,348	2,883,206	4,995,945	4,760,993	3,643,183	3,694,285				
Five years later	6,094,953	3,103,844	4,894,789	4,849,355	3,745,001					
Six years later	6,265,087	3,166,662	5,124,129	5,004,810						
Seven years later	5,858,308	3,195,849	5,937,210							
Eight years later	5,984,201	3,262,966								
Nine years later	5,994,094									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	4,533,511	2,325,568	4,217,053	2,761,180	2,078,092	2,262,256	1,593,050	1,971,151	549,269	-

**CITY OF SALINAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF CITY'S NET PENSION LIABILITY AND RELATED RATIOS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**LAST 10 FISCAL YEARS<sup>^</sup>**

Fiscal Year	2018-19		2017-18		2016-17		2015-16		2014-15	
	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police
<b>TOTAL PENSION LIABILITY</b>										
Service Cost	\$ 3,099,429	\$ 5,603,486	\$ 2,873,548	\$ 5,171,913	\$ 2,135,480	\$ 4,462,598	\$ 2,197,484	\$ 4,440,981	\$ 2,331,545	\$ 4,932,982
Interest on Total Pension Liability	7,806,166	19,772,458	7,282,974	18,658,643	6,801,939	17,933,618	6,445,778	17,475,350	6,154,034	17,097,550
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	1,457,261	6,096,574	489,759	(2,807)	(996,921)	(4,299,665)	(1,789,044)	(5,739,808)	-	-
Changes of Assumptions	(752,607)	(1,307,343)	6,388,079	16,117,523	-	-	(1,686,636)	(4,436,648)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(3,952,236)	(13,742,608)	(3,361,268)	(12,772,896)	(3,116,204)	(11,890,953)	(2,803,130)	(11,383,179)	(2,673,091)	(10,895,705)
<b>Net Change in Total Pension Liability</b>	<b>7,658,013</b>	<b>16,422,567</b>	<b>13,673,092</b>	<b>27,172,376</b>	<b>4,824,294</b>	<b>6,205,598</b>	<b>2,364,452</b>	<b>356,696</b>	<b>5,812,488</b>	<b>11,134,827</b>
<b>Total Pension Liability - Beginning</b>	<b>108,898,886</b>	<b>275,818,189</b>	<b>95,225,794</b>	<b>248,645,813</b>	<b>90,401,500</b>	<b>242,440,215</b>	<b>88,037,048</b>	<b>242,083,519</b>	<b>82,224,560</b>	<b>230,948,692</b>
<b>Total Pension Liability - Ending (a)</b>	<b>116,556,899</b>	<b>292,240,756</b>	<b>108,898,886</b>	<b>275,818,189</b>	<b>95,225,794</b>	<b>248,645,813</b>	<b>90,401,500</b>	<b>242,440,215</b>	<b>88,037,048</b>	<b>242,083,519</b>
<b>PLAN FIDUCIARY NET POSITION</b>										
Contributions - Employer	3,133,948	8,260,458	3,232,477	7,798,560	2,635,818	6,462,584	2,037,528	5,540,793	2,010,590	5,285,903
Contributions - Employee	1,403,836	1,816,971	1,331,850	1,625,541	1,339,737	1,512,655	987,786	1,350,215	959,420	1,375,826
Net Investment Income	6,712,207	15,347,329	7,844,830	18,439,075	375,028	800,238	1,500,373	3,733,737	9,911,526	25,664,291
Benefit Payments, Including Refunds of Employee Contributions	(3,952,236)	(13,742,608)	(3,361,268)	(12,772,896)	(3,116,204)	(11,890,953)	(2,803,130)	(11,383,179)	(2,673,091)	(10,895,705)
Net Plan to Plan Resource Movement	(199)	(447)	-	-	365	19,216	-	-	-	-
Administrative Expense	(122,563)	(282,146)	(102,919)	(245,410)	(41,756)	(103,251)	(77,059)	(190,690)	-	-
Other Miscellaneous Income/(Expense)**	(232,749)	(535,801)	-	-	-	-	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>6,942,244</b>	<b>10,863,756</b>	<b>8,944,970</b>	<b>14,844,870</b>	<b>1,192,988</b>	<b>(3,199,511)</b>	<b>1,645,498</b>	<b>(949,124)</b>	<b>10,208,445</b>	<b>21,430,315</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>78,652,940</b>	<b>181,063,160</b>	<b>69,707,970</b>	<b>166,218,290</b>	<b>68,514,982</b>	<b>169,417,801</b>	<b>66,869,484</b>	<b>170,366,925</b>	<b>56,661,039</b>	<b>148,936,610</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>85,595,184</b>	<b>191,926,916</b>	<b>78,652,940</b>	<b>181,063,160</b>	<b>69,707,970</b>	<b>166,218,290</b>	<b>68,514,982</b>	<b>169,417,801</b>	<b>66,869,484</b>	<b>170,366,925</b>
Plan Net Pension Liability/(Asset) - Ending (a)-(b)	\$ 30,961,715	\$ 100,313,840	\$ 30,245,946	\$ 94,755,029	\$ 25,517,824	\$ 82,427,523	\$ 21,886,518	\$ 73,022,414	\$ 21,167,564	\$ 71,716,594
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.44%	65.67%	72.23%	65.65%	73.20%	66.85%	75.79%	69.88%	75.96%	70.38%
Covered Employee Payroll*	\$ 20,051,944	\$ 17,967,376	\$ 18,618,295	\$ 16,214,420	\$ 15,300,421	\$ 15,715,033	\$ 15,513,480	\$ 15,494,316	\$ 15,831,777	\$ 16,589,818
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	154.41%	558.31%	162.45%	584.39%	166.78%	524.51%	141.08%	471.29%	133.70%	432.29%

**Notes to Schedule of Changes in Net Pension Liability and Related Ratios:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

\* For the year ending on the measurement date

<sup>^</sup> Fiscal year 2015 was the 1st year of implementation

**CITY OF SALINAS  
REQUIRED SUPPLEMENTARY INFORMATION  
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN  
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
LAST 10 FISCAL YEARS^**

Fiscal Year	2018-19		2017-18		2016-17		2015-16		2014-15	
	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contribution	\$ 3,511,716	\$ 9,481,034	\$ 3,133,731	\$ 8,260,675	\$ 3,231,650	\$ 7,799,085	\$ 2,635,818	\$ 6,462,584	\$ 2,037,528	\$ 5,540,793
	3,511,716	9,481,034	3,133,731	8,260,675	3,231,650	7,799,085	2,635,818	6,462,584	2,037,528	5,540,793
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll*	\$ 21,485,315	\$ 19,620,883	\$ 20,577,688	\$ 18,758,911	\$ 19,120,162	\$ 17,091,655	\$ 16,519,247	\$ 16,062,098	\$ 13,444,769	\$ 14,664,280
Contributions as a Percentage of Covered-Employee Payroll	16.34%	48.32%	15.23%	44.04%	16.90%	45.63%	15.96%	40.23%	15.15%	37.78%

**Notes to Schedules**

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2018-19 were from the June 30, 2016 Valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2016 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2016 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3% compounded annually
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**CITY OF SALINAS  
REQUIRED SUPPLEMENTARY INFORMATION  
COST -SHARING SAFETY MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE PLAN'S (PERF C)  
NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
LAST 10 FISCAL YEARS^**

<b>Fiscal Year</b> Measurement Date	<b>Fire (Tier 1 &amp; Tier 2)</b>				
	<b>2018-19</b> 06/30/2018	<b>2017-18</b> 06/30/2017	<b>2016-17</b> 06/30/2016	<b>2015-16</b> 06/30/2015	<b>2014-15</b> 06/30/2014
City's Proportion of the Net Pension Liability	0.469674%	0.580096%	0.600385%	0.643619%	0.641945%
City's Proportionate Share of the Net Pension Liability	\$45,259,034	\$ 57,529,594	\$ 51,951,899	\$ 44,177,449	\$ 39,944,785
City's Covered - Employee Payroll*	9,763,022	9,636,368	9,436,688	9,158,594	9,531,935
City's Proportionate Share of the Net Pension Liability as a percentage of Covered Payroll	463.58%	597.00%	550.53%	482.36%	419.06%
Plan's Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	75.26%	73.31%	74.06%	78.40%	79.82%

^Fiscal year 2015 was the 1st year of implementation

\* For the year ending on the measurement date

**CITY OF SALINAS  
REQUIRED SUPPLEMENTARY INFORMATION  
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN  
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
LAST 10 FISCAL YEARS^**

<b>Fiscal Year</b>	<b>Fire (Tier 1 &amp; Tier 2)</b>				
	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Actuarially Determined Contribution	\$ 4,369,284	\$ 5,440,481	\$ 5,132,440	\$ 4,732,759	\$ 3,811,507
Contributions in Relation to the Actuarially Determined Contribution	4,369,284	16,741,091	5,132,440	4,732,759	3,811,507
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (11,300,610)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll*	\$ 10,748,465	\$ 9,763,022	\$ 9,636,368	\$ 9,436,688	\$ 9,158,594
Contributions as a Percentage of Covered-Employee Payroll	40.65%	171.47%	53.26%	50.15%	41.62%

^Fiscal year 2015 was the 1st year of implementation

\*For the fiscal year ending on the date shown

**CITY OF SALINAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SINGLE - EMPLOYER DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF CITY'S NET PENSION LIABILITY AND RELATED RATIOS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**LAST 10 FISCAL YEARS^**

Fiscal Year	2018-19	2017-18	2016-17	2015-16
<b>CHANGE IN TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 302,184	\$ 279,000	\$ 336,000	\$ 436,000
Interest	679,330	537,000	655,000	676,000
Changes of Benefit Terms	-	-	531,000	-
Difference between Expected and Actual Experience	-	2,172,000	-	-
Changes of Assumptions	-	(106,000)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(199,769)	(3,508,000)	(87,000)	(3,139,000)
<b>Net Change in Total Pension Liability</b>	<u>781,745</u>	<u>(626,000)</u>	<u>1,435,000</u>	<u>(2,027,000)</u>
<b>Total Pension Liability - Beginning</b>	<u>19,778,000</u>	<u>20,404,000</u>	<u>18,969,000</u>	<u>20,996,000</u>
<b>Total Pension Liability - Ending (a)</b>	<u>20,559,745</u>	<u>19,778,000</u>	<u>20,404,000</u>	<u>18,969,000</u>
<b>CHANGE IN PLAN FIDUCIARY NET POSITION</b>				
Contributions - Employer	1,927,686	1,654,000	1,483,000	1,340,000
Contributions - Employee	70,043	69,000	82,000	77,000
Net Investment Income	60,254	(506,000)	84,000	(85,000)
Benefit Payments, Including Refunds of Employee Contributions	(199,769)	(3,508,000)	(87,000)	(3,139,000)
Administrative Expense	(54,195)	(75,000)	(83,000)	(100,000)
<b>Net Change in Fiduciary Net Position</b>	<u>1,804,019</u>	<u>(2,366,000)</u>	<u>1,479,000</u>	<u>(1,907,000)</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>2,660,000</u>	<u>5,026,000</u>	<u>3,547,000</u>	<u>5,454,000</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>4,464,019</u>	<u>2,660,000</u>	<u>5,026,000</u>	<u>3,547,000</u>
Plan Net Pension Liability/(Asset) - Ending (a)-(b)	<u>\$16,095,726</u>	<u>\$ 17,118,000</u>	<u>\$ 15,378,000</u>	<u>\$ 15,422,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	21.71%	13.45%	24.63%	18.70%
Covered Employee Payroll*	\$ 1,610,679	\$ 1,649,359	\$ 1,461,000	\$ 1,738,432
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	999.31%	1037.86%	1052.57%	887.12%

\* For the year ending on the measurement date

^ Fiscal year 2016 was the 1st year of implementation

**Notes to schedule of Changes in Net Pension Liability and Related Ratios:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after September 1, 2017 valuation date.

Changes in Assumptions: The discount rate was updated since the last measurement date August 31, 2016 from 2.84% to 3.40%. Mortality, termination, and disability rates were updated from the CalPERS 1997-2011 experience study to the CalPERS 1997-2015 experience study. Mortality improvements were updated from modified scale MP-2014 to MP-2017. Interest rate for lump sum was updated from 1.50% to 1.00%.

**CITY OF SALINAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
LAST 10 FISCAL YEARS^**

<b>Fiscal Year</b>	<u>2018-19*</u>	<u>2017-18*</u>	<u>2016-17*</u>	<u>2015-16*</u>
Actuarially Determined Contribution	\$2,000,000	\$ 1,932,000	\$ 1,583,000	\$ 1,520,000
Contributions in Relation to the Actuarially Determined Contribution	<u>2,135,107</u>	<u>1,614,000</u>	<u>1,571,000</u>	<u>1,107,000</u>
Contribution Deficiency (Excess)	<u>\$ (135,107)</u>	<u>\$ 318,000</u>	<u>\$ 12,000</u>	<u>\$ 413,000</u>
City's Covered-Employee Payroll**	\$1,664,538	\$ 1,693,493	\$ 1,796,000	\$ 1,872,000
Contributions as a Percentage of Covered-Employee Payroll	128.27%	95.31%	87.47%	59.13%

^Fiscal year 2016 was the 1st year of implementation

\*Rounded to the nearest thousand of a dollar

\*\*For the fiscal year ending on the date shown

**Notes to Schedules**

Actuarial Methods and Assumptions:

Valuation Date	September 1, 2017
Actuarial Cost Method	Individual Aggregate Cost Method
Amortization Method/Period	N/A
Asset Valuation Method	Cash value as reported by New York Life Investment Management LLC
Discount Rate	5.00%
Salary Increases	2.00%
Mortality	2017 IRS Combined Mortality Table for males and females
Payment Form	All Participants Assumed to elect lump sum at retirement, termination, or disability. Lump sums valued using UP 84 Unisex Mortality table and 0.75% interest



**CITY OF SALINAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF THE CITY'S INVESTMENT RETURNS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
LAST 10 FISCAL YEARS^**

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**Fiscal Year**

**2018-19**

Annual Money Weighted Rate of Return,  
Net of Investment Expense

2.00%

^GASB Statement No. 67, which requires a ten year history for this schedule, was implemented during fiscal year ended June 30, 2018 as a result of the implementation of GASB Statement No. 84. Additional years will be added as they become available in the future.

**CITY OF SALINAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY**  
**AND RELATED RATIOS AS OF MEASUREMENT DATE**  
**LAST 10 YEARS<sup>^</sup>**

<b>Measurement Date</b>	<b>Fiscal Year End</b>	<b>Fiscal Year End</b>
	<b>06/30/19</b>	<b>06/30/18</b>
	<b>06/30/18</b>	<b>06/30/17</b>
Changes in total OPEB liability		
Service cost	\$ 1,085,475	\$ 1,209,000
Interest	1,064,391	951,000
Difference between actual and expected experience	-	-
Assumption changes	(609,871)	(1,765,000)
Benefit payments including refunds	(915,000)	(861,000)
Changes in benefits terms	-	-
Net changes in total OPEB liability	<u>624,995</u>	<u>(466,000)</u>
Total OPEB liability - beginning of year	21,875,000	22,341,000
Total OPEB liability - end of year	<u><u>\$ 22,499,995</u></u>	<u><u>\$ 21,875,000</u></u>
Changes in plan fiduciary net position		
Contributions - employer	\$ 1,165,000	\$ 1,111,000
Contributions - employee	-	-
Net investment income	159,215	171,000
Benefit payments and refunds	(915,000)	(861,000)
Administrative expenses	(3,619)	(1,000)
Other changes	-	-
Net changes in plan fiduciary net position	<u>\$ 405,596</u>	<u>\$ 420,000</u>
Plan fiduciary net position - beginning of year	1,899,000	1,479,000
Plan fiduciary net position - end of year	<u><u>\$ 2,304,596</u></u>	<u><u>\$ 1,899,000</u></u>
Net OPEB liability		
Total OPEB liability	\$ 22,499,995	\$ 21,875,000
Plan fiduciary net position	<u>2,304,596</u>	<u>1,899,000</u>
Net OPEB liability	<u>\$ 20,195,399</u>	<u>\$ 19,976,000</u>
Net OPEB liability funded percentage	10.2%	8.7%
Covered employee payroll *	\$ 62,965,263	\$ 48,821,000
Net OPEB liability as a percent of covered-employee payroll	32.1%	40.9%

<sup>^</sup> Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown.

\* For the year ending on the measurement date.

**CITY OF SALINAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS  
AS OF JUNE 30, 2019  
LAST 10 YEARS^**

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<b>Contributions for the fiscal year ended:</b>	<u><b>06/30/19</b></u>	<u><b>06/30/18</b></u>
Actuarially determined contribution (ADC)	\$ 2,322,000	\$ 2,188,000
Contributions in relation to the actuarially determined contribution	<u>1,195,329</u>	<u>1,165,000</u>
Contribution deficiency (excess)	<u>\$ 1,126,671</u>	<u>\$ 1,023,000</u>
City's covered-employee payroll *	\$ 64,026,452	\$ 51,530,000
Contributions as a percentage of covered-employee payroll	1.9%	2.3%

^ Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown.

\* For the fiscal year ended on the date shown.



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# **SUPPLEMENTARY INFORMATION**



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# NON-MAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for specified purposes. The Special Revenue Funds used by the City in this report are as follows:

Lighting, Landscape and Maintenance District - This fund accounts for monies received from the various maintenance districts throughout the City. Funds are used to pay for the lighting and landscape maintenance of the respective districts.

Local Public Safety Fund - This fund accounts for monies received from federal and state grants, which are expended to enhance law enforcement services.

Development Fees - This fund accounts for the fees that subdividers and developers of property are required to pay, by Resolution 3823 (N.C.S.), covering traffic impact, annexation, use of existing or new sewers, storm drains, park facilities, library facilities and street trees.

Gas Tax - This fund accounts for gas tax revenues received from State apportionments of gasoline taxes. Expenditures are restricted to street maintenance and street improvements. No expenditures are made directly from this fund, but transfers are made to the General Fund for street maintenance and engineering salaries and to the Capital Projects Fund for street improvements based on actual expenditures.

Emergency Medical Services Fund - This fund accounts for monies received from County Service Area (CSA) 74. Funds are used to purchase emergency medical and safety equipment under the capital improvement program.

Asset Seizure - This fund accounts for the proceeds from sale of assets seized primarily from illegal narcotics activity. These funds are used for law enforcement.

Traffic Safety - This fund accounts for revenues derived from traffic violations whose use is restricted by State statute for traffic safety and street maintenance purposes. No expenditures are made directly from this fund, but transfers are made to the General Fund for traffic safety expenditures and street maintenance.

Vehicle Abatement - This fund accounts for monies allocated by the State to fund the vehicle abatement program.

Recreation Parks Fund - This fund accounts for revenues received from an admission fee charge that is imposed to events held at the Salinas Sports Complex (Rodeo Grounds stadium). Funds are designated for Parks and Recreation activities.

Cable - This fund accounts for revenues received for public, educational and governmental (PEG) fees from video service providers. Its use is restricted to provide non-commercial public, educational and government channels.

Municipal Art - This fund accounts for revenues received from a 0.5% charge on certain City capital improvement projects. Funds are designated for spending on public art to be located in public places throughout the City.

Contributions and Donations - This fund accounts for contributions and donations from different individuals and agencies to the Library, Rec-Park, Fire and Police Department. Use of the funds are restricted for use of the appropriate Department.

KDF Los Padres Dev Social Services - This fund accounts for social services provided by the City of Salinas to lower income residents of the Development. On June 1, 2003, the Salinas Redevelopment Agency, the City of Salinas and the KDF Los Padres, L.P. entered into a loan agreement where loan payments will be collected annually by the City and used to provide recreational and social services to lower income residents of the Development. Term of the loan is 55 years commencing in 2006. Payment will increase by 3% annually.

Measure X Transport Safety & Inv Plan Fund - This fund accounts for revenues allocated by TAMC from the transportation sales and use tax. Expenditures are restricted to road improvements, pothole repairs, street and road maintenance, traffic deduction and regional safety, mobility and walkability.

SB1 Road Maintenance & Rehab & SB1 Traffic Congestion Relief - This fund accounts for gas tax revenues received from State apportionments of an increased tax on gasoline and a new vehicle license fee from Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017. Expenditures are restricted to street maintenance and street improvements including facilities for bicycles and pedestrians. No expenditures are made directly from this fund, but transfers are made to the General Fund for street maintenance and engineering salaries and to the Capital Projects Fund for street improvements based on actual expenditures.

SRA Public Improvement Grant - This fund accounts for the use of monies received from proceeds of the land sale located in Main Street where the "Taylor Farms" headquarters is constructed and other properties held for re-sale.

Affordable Housing Fund - These funds are used to improve and increase the supply of low income housing within the City.

Housing and Urban Development Grant - This fund accounts for the use of community development block grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans and rental income from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and handicapped citizens.

Grants Fund - This fund accounts for various minor grants received for purposes ranging from library to police operations.



**CITY OF SALINAS  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2019**

	<b>Lighting, Landscape and Maintenance District</b>	<b>Local Public Safety</b>	<b>Development Fees</b>	<b>Gas Tax</b>	<b>Emergency Medical Services</b>	<b>Asset Seizure</b>	<b>Traffic Safety</b>
<b>ASSETS</b>							
Cash and investments	\$ 6,490,812	\$ 609,329	\$ 15,211,868	\$ 1,119,191	\$ 407,457	\$ 50,702	\$ -
Receivables, net:							
Accounts receivable	-	-	185,498	-	-	-	-
Accrued interest	31,400	1,243	72,245	8,699	1,326	663	-
Due from outside agencies	-	140,488	-	237,218	-	-	53,445
Loan receivables	-	-	-	-	-	-	-
Land and properties held for resale	-	-	-	-	-	-	-
Total assets	<u>\$ 6,522,212</u>	<u>\$ 751,060</u>	<u>\$ 15,469,611</u>	<u>\$ 1,365,108</u>	<u>\$ 408,783</u>	<u>\$ 51,365</u>	<u>\$ 53,445</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 88,202	\$ -	\$ -	\$ -	\$ 33,313	\$ -	\$ -
Due to other funds	47,981	-	29,957	69,777	14,557	-	20,184
Unearned revenues	-	-	-	-	-	-	-
Total liabilities	<u>136,183</u>	<u>-</u>	<u>29,957</u>	<u>69,777</u>	<u>47,870</u>	<u>-</u>	<u>20,184</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues - housing loans	-	-	-	-	-	-	-
Unavailable revenues - grants	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	6,386,029	751,060	15,439,654	1,295,331	360,913	51,365	33,261
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>6,386,029</u>	<u>751,060</u>	<u>15,439,654</u>	<u>1,295,331</u>	<u>360,913</u>	<u>51,365</u>	<u>33,261</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 6,522,212</u>	<u>\$ 751,060</u>	<u>\$ 15,469,611</u>	<u>\$ 1,365,108</u>	<u>\$ 408,783</u>	<u>\$ 51,365</u>	<u>\$ 53,445</u>

**CITY OF SALINAS  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2019**

	<b>Vehicle Abatement</b>	<b>Recreation Parks</b>	<b>Cable</b>	<b>Municipal Art</b>	<b>Contributions &amp; Donations</b>	<b>KDF Los Padres Dev Social Services</b>	<b>Measure X Transport Safety &amp; Inv Plan</b>
<b>ASSETS</b>							
Cash and investments	\$ 375,342	\$ 61,729	\$ 474,415	\$ 21,152	\$ 122,475	\$ 204,774	\$ 4,632,315
Receivables, net:							
Accounts receivable	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	580	994	23,612
Due from outside agencies	-	-	43,899	-	-	-	2,208,071
Loan receivables	-	-	-	-	-	-	-
Land and properties held for resale	-	-	-	-	-	-	-
Total assets	<u>\$ 375,342</u>	<u>\$ 61,729</u>	<u>\$ 518,314</u>	<u>\$ 21,152</u>	<u>\$ 123,055</u>	<u>\$ 205,768</u>	<u>\$ 6,863,998</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 5,933	\$ 696	\$ 31,913	\$ -	\$ -	\$ 3,515	\$ -
Due to other funds	-	-	-	-	-	-	25,395
Unearned revenues	-	-	-	-	-	-	-
Total liabilities	<u>5,933</u>	<u>696</u>	<u>31,913</u>	<u>-</u>	<u>-</u>	<u>3,515</u>	<u>25,395</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues - housing loans	-	-	-	-	-	-	-
Unavailable revenues - grants	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	369,409	61,033	486,401	21,152	123,055	202,253	6,838,603
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>369,409</u>	<u>61,033</u>	<u>486,401</u>	<u>21,152</u>	<u>123,055</u>	<u>202,253</u>	<u>6,838,603</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 375,342</u>	<u>\$ 61,729</u>	<u>\$ 518,314</u>	<u>\$ 21,152</u>	<u>\$ 123,055</u>	<u>\$ 205,768</u>	<u>\$ 6,863,998</u>

**CITY OF SALINAS  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2019**

	<b>SB1 Road Maintenance &amp; Rehab</b>	<b>SB1 Traffic Congestion Relief</b>	<b>SRA Public Impvt Grant</b>	<b>Affordable Housing</b>	<b>Housing and Urban Development Grant</b>	<b>Grants</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and investments	\$ 2,215,173	\$ 370,693	\$ 1,580,491	\$ 877,804	\$ 430,358	\$ 882,253	\$ 36,138,333
Receivables, net:							
Accounts receivable	-	-	-	-	-	15,271	200,769
Accrued interest	13,090	1,740	7,539	1,075,379	911	-	1,239,421
Due from outside agencies	529,491	-	-	-	710,558	475,122	4,398,292
Loan receivables	-	-	-	16,571	210,034	-	226,605
Land and properties held for resale	-	-	850,000	1,657,553	-	-	2,507,553
Total assets	<u>\$ 2,757,754</u>	<u>\$ 372,433</u>	<u>\$ 2,438,030</u>	<u>\$ 3,627,307</u>	<u>\$ 1,351,861</u>	<u>\$ 1,372,646</u>	<u>\$ 44,710,973</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 224,783	\$ 114,856	\$ 503,211
Due to other funds	7,890	-	-	-	492,125	413,626	1,121,492
Unearned revenues	-	-	-	-	-	10,738	10,738
Total liabilities	<u>7,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>716,908</u>	<u>539,220</u>	<u>1,635,441</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues - housing loans	-	-	-	16,571	210,034	-	226,605
Unavailable revenues - grants	-	-	-	1,054,748	655,778	346,292	2,056,818
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071,319</u>	<u>865,812</u>	<u>346,292</u>	<u>2,283,423</u>
<b>FUND BALANCE</b>							
Nonspendable	-	-	850,000	1,674,124	210,034	-	2,734,158
Restricted	2,749,864	372,433	1,588,030	1,936,612	214,885	833,426	40,114,769
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	(1,054,748)	(655,778)	(346,292)	(2,056,818)
Total fund balances	<u>2,749,864</u>	<u>372,433</u>	<u>2,438,030</u>	<u>2,555,988</u>	<u>(230,859)</u>	<u>487,134</u>	<u>40,792,109</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,757,754</u>	<u>\$ 372,433</u>	<u>\$ 2,438,030</u>	<u>\$ 3,627,307</u>	<u>\$ 1,351,861</u>	<u>\$ 1,372,646</u>	<u>\$ 44,710,973</u>

**CITY OF SALINAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Lighting, Landscape and Maintenance District</b>	<b>Local Public Safety</b>	<b>Development Fees</b>	<b>Gas Tax</b>	<b>Emergency Medical Services</b>	<b>Asset Seizure</b>	<b>Traffic Safety</b>
<b>REVENUES</b>							
Taxes	\$ -	\$ 623,984	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - special assessments	1,775,930	-	-	-	-	-	-
Intergovernmental	7,000	373,260	-	2,942,421	138,566	5,599	-
Charges for services	61,915	-	1,653,947	-	-	-	-
Interest	130,801	7,695	321,475	41,855	9,162	3,027	-
Rental income	-	-	-	176,882	-	-	-
Fines and forfeits	-	-	-	-	-	-	227,942
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>1,975,646</u>	<u>1,004,939</u>	<u>1,975,422</u>	<u>3,161,158</u>	<u>147,728</u>	<u>8,626</u>	<u>227,942</u>
<b>EXPENDITURES</b>							
Current:							
General government	41,604	-	-	-	-	-	-
Public safety	-	782,866	-	-	1,037,404	27,380	-
Public works	1,118,512	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	28,524	10,980	-
Total expenditures	<u>1,160,116</u>	<u>782,866</u>	<u>-</u>	<u>-</u>	<u>1,065,928</u>	<u>38,360</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>815,530</u>	<u>222,073</u>	<u>1,975,422</u>	<u>3,161,158</u>	<u>(918,200)</u>	<u>(29,734)</u>	<u>227,942</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	-	-	-	-	640,000	-	-
Operating transfers out	(100,151)	(298,447)	(1,019,173)	(3,683,596)	(140,530)	-	(250,000)
Total other financing sources (uses)	<u>(100,151)</u>	<u>(298,447)</u>	<u>(1,019,173)</u>	<u>(3,683,596)</u>	<u>499,470</u>	<u>-</u>	<u>(250,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>715,379</u>	<u>(76,374)</u>	<u>956,249</u>	<u>(522,438)</u>	<u>(418,730)</u>	<u>(29,734)</u>	<u>(22,058)</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	5,670,650	827,434	14,483,405	1,817,769	779,643	81,099	55,319
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-	-	-	-
<b>FUND BALANCE BEGINNING OF YEAR, AS RESTATED</b>	<u>5,670,650</u>	<u>827,434</u>	<u>14,483,405</u>	<u>1,817,769</u>	<u>779,643</u>	<u>81,099</u>	<u>55,319</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 6,386,029</u>	<u>\$ 751,060</u>	<u>\$ 15,439,654</u>	<u>\$ 1,295,331</u>	<u>\$ 360,913</u>	<u>\$ 51,365</u>	<u>\$ 33,261</u>

**CITY OF SALINAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Vehicle Abatement	Recreation Parks	Cable	Municipal Art	Contributions & Donations	KDF Los Padres Dev Social Services	Measure X Transport Safety & Inv Plan
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ 176,041	\$ -	\$ -	\$ -	\$ -
Taxes - special assessments	-	-	-	-	-	-	-
Intergovernmental	174,444	-	-	-	-	-	4,639,063
Charges for services	-	-	-	31,163	-	-	-
Interest	-	-	-	319	789	1,352	83,094
Rental income	-	42,506	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>174,444</u>	<u>42,506</u>	<u>176,041</u>	<u>31,482</u>	<u>789</u>	<u>1,352</u>	<u>4,722,157</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	156,250	-	-	-	-
Public safety	198,059	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Recreation	-	22,182	-	-	-	3,515	-
Library	-	-	-	33,489	-	-	-
Capital outlay	-	-	1,830	-	-	-	-
Total expenditures	<u>198,059</u>	<u>22,182</u>	<u>158,080</u>	<u>33,489</u>	<u>-</u>	<u>3,515</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(23,615)</u>	<u>20,324</u>	<u>17,961</u>	<u>(2,007)</u>	<u>789</u>	<u>(2,163)</u>	<u>4,722,157</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	50,000	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	(1,807,387)
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,807,387)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>26,385</u>	<u>20,324</u>	<u>17,961</u>	<u>(2,007)</u>	<u>789</u>	<u>(2,163)</u>	<u>2,914,770</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	343,024	40,709	468,440	23,159	-	-	3,923,833
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-	122,266	204,416	-
<b>FUND BALANCE BEGINNING OF YEAR, AS RESTATED</b>	<u>343,024</u>	<u>40,709</u>	<u>468,440</u>	<u>23,159</u>	<u>122,266</u>	<u>204,416</u>	<u>3,923,833</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 369,409</u>	<u>\$ 61,033</u>	<u>\$ 486,401</u>	<u>\$ 21,152</u>	<u>\$ 123,055</u>	<u>\$ 202,253</u>	<u>\$ 6,838,603</u>

**CITY OF SALINAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>SB1 Road Maintenance &amp; Rehab</b>	<b>SB1 Traffic Congestion Relief</b>	<b>SRA Public Improvement Grant</b>	<b>Affordable Housing</b>	<b>Housing and Urban Development Grant</b>	<b>Grants</b>	<b>Total</b>
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800,025
Taxes - special assessments	-	-	-	-	-	-	1,775,930
Intergovernmental	2,966,828	182,445	-	-	1,873,866	1,557,491	14,860,983
Charges for services	-	-	-	-	-	38,783	1,785,808
Interest	41,255	5,288	34,045	17,836	2,443	-	700,436
Rental income	-	-	-	-	-	46,122	265,510
Fines and forfeits	-	-	-	-	-	-	227,942
Miscellaneous	-	-	-	75,032	341,381	-	416,413
Total revenues	<u>3,008,083</u>	<u>187,733</u>	<u>34,045</u>	<u>92,868</u>	<u>2,217,690</u>	<u>1,642,396</u>	<u>20,833,047</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	19,984	2,546,179	-	2,764,017
Public safety	-	-	-	-	-	1,150,846	3,196,555
Public works	-	-	-	-	-	15,109	1,133,621
Recreation	-	-	-	-	-	130,359	156,056
Library	-	-	-	-	-	341,315	374,804
Capital outlay	-	-	-	-	500	1,026,673	1,068,507
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,984</u>	<u>2,546,679</u>	<u>2,664,302</u>	<u>8,693,560</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,008,083</u>	<u>187,733</u>	<u>34,045</u>	<u>72,884</u>	<u>(328,989)</u>	<u>(1,021,906)</u>	<u>12,139,487</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	-	-	-	-	29,375	-	719,375
Operating transfers out	(1,211,995)	-	-	-	(138,753)	-	(8,650,032)
Total other financing sources (uses)	<u>(1,211,995)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,378)</u>	<u>-</u>	<u>(7,930,657)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>1,796,088</u>	<u>187,733</u>	<u>34,045</u>	<u>72,884</u>	<u>(438,367)</u>	<u>(1,021,906)</u>	<u>4,208,830</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	953,776	184,700	2,403,985	2,483,104	207,508	1,509,040	36,256,597
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-	-	-	326,682
<b>FUND BALANCE BEGINNING OF YEAR, AS RESTATED</b>	<u>953,776</u>	<u>184,700</u>	<u>2,403,985</u>	<u>2,483,104</u>	<u>207,508</u>	<u>1,509,040</u>	<u>36,583,279</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 2,749,864</u>	<u>\$ 372,433</u>	<u>\$ 2,438,030</u>	<u>\$ 2,555,988</u>	<u>\$ (230,859)</u>	<u>\$ 487,134</u>	<u>\$ 40,792,109</u>

# NON-MAJOR GOVERNMENTAL FUNDS

## DEBT SERVICE FUNDS

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The debt service funds include the following debt issuances:

COP 1999 & COP 2004 Consolidation (2014) - This fund is used to accumulate funds for the payment of principal and interest on the 2014 Lease Purchase/Agreement that was issued on January 29, 2014 to refinance the portion of the 1999 Certificates of Participation that were used to finance the construction of the City Animal Shelter. Debt service for the Animal Shelter is used to finance the City's General Fund.

2018 Lease-PS Building Police - This fund is used to accumulate monies for the designing, permitting, constructing and equipping the new public safety building, including ancillary parking and related facilities, located at 312 E Alisal Street in Salinas. Salinas Public Safety Facilities Inc. (SPF) issued lease revenue bonds to finance the construction of the new building. Lease payments are made from the City's Measure G Funds.

COP 2018B T.R.I.P. Total Rd Impy - This fund is used to accumulate monies for the principal and interest payments for the Transportation Revenue COP Certificates issued to finance large scale street improvement projects. COPs will be secured by Measure X Revenues the City receives from the Transportation Agency of Monterey County (TAMC).

Energy Improvement Lease Fund - This fund is used to account for lease payments on debt incurred in fiscal year 2014-15 that funds the City's ongoing efforts to reduce energy consumption and to develop long-term cost savings through increased energy efficiency. The project will install LED lighting on street lights and parking lots in addition to building solar PV installations at the Hitchcock Road Animal Shelter, the Industrial Waste Treatment Plant, the Salinas Municipal Airport, the Permit Center, Sherwood Hall, and the Sewer Lift Station site off Work Street. The Funding came through a private placement in the amount of \$21,908,000. The Debt Service repayment will be over a 17 year period at an interest rate of 3.03%.

Certificates of Participation (2005 A & B) 2015 Refunding Fund - This fund is used to accumulate funds for the payment of principal and interest on the 2005B Certificates of Participation. Proceeds were used to refund the Certificates of Participation 1997. The proceeds from the Certificates of Participation 1997 were used for capital improvements and to refund the Salinas Public Financing Authority's Variable Rate Lease Revenue Bonds that were used to purchase the 65 W. Alisal building. Debt service is financed from installment payments from the Salinas Valley Solid Waste Authority (SVSWA) for the purchase of Crazy Horse Landfill and a lease on the 65 W. Alisal Building.

2018 Lease-El Gabilan Library - This fund is used to accumulate monies for the designing, permitting, constructing and equipping the El Gabilan Library expansion, including ancillary parking, located at 1400 N Main Street in Salinas. Salinas Public Safety Facilities, Inc. (SPF) issued lease revenue bonds to facilitate the construction of the El Gabilan Library. Lease payments are made from the City's Measure E Funds.

Assessment District Administration Fund - This fund accounts for the cost of administering the City's assessment district bonds used to finance improvements within those districts. Funding is provided by an assessment equal to 5% of the assessment amount with a maximum \$16 levy per parcel per bond.

Assessment District Reserve Fund - This fund accounts for the reserves on outstanding assessment districts bonds.

2019 Special Tax Bond Monte Bella - This fund is used to accumulate monies for the principal and interest payments for the 2019 Special Tax Bonds to finance the acquisition and/or construction of certain public facilities and improvements within the Community Facilities District No. 2016-1 (Monte Bella) Area No. 1. The annual levy of special taxes on that area would be used to pay for principal and interest payments on the bonds.



**CITY OF SALINAS  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
JUNE 30, 2019**

	<b>COP 1999 &amp; 2004 Consolidation (2014)</b>	<b>2018 Lease-PS Building Police</b>	<b>COP 2018B T.R.I.P. Total Rd Impv</b>	<b>Energy Improvement Lease</b>	<b>COP 2005 A &amp; B 2015 Refunding</b>
<b>ASSETS</b>					
Cash and investments	\$ 837,623	\$ -	\$ 701,038	\$ 35,665	\$ 84,644
Receivables:					
Accrued interest	3,977	-	2,817	-	414
Total assets	<u>\$ 841,600</u>	<u>\$ -</u>	<u>\$ 703,855</u>	<u>\$ 35,665</u>	<u>\$ 85,058</u>
<b>LIABILITIES</b>					
Due to other funds	<u>\$ -</u>	<u>\$ 3,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>3,163</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>					
Restricted	841,600	-	703,855	35,665	85,058
Unassigned	-	(3,163)	-	-	-
Total fund balance	<u>841,600</u>	<u>(3,163)</u>	<u>703,855</u>	<u>35,665</u>	<u>85,058</u>
Total liabilities and fund balances	<u>\$ 841,600</u>	<u>\$ -</u>	<u>\$ 703,855</u>	<u>\$ 35,665</u>	<u>\$ 85,058</u>

**CITY OF SALINAS  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
JUNE 30, 2019**

	<b>2018 Lease-El Gabilan Library</b>	<b>Assessment District Administration</b>	<b>Assessment District Reserve</b>	<b>2019 Special Tax Bond Monte Bella</b>	<b>Totals</b>
<b>ASSETS</b>					
Cash and investments	\$ -	\$ -	\$ 1,793,480	\$ 292,056	\$ 3,744,506
Receivables:					
Accrued interest	-	-	8,534	-	15,742
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,802,014</u>	<u>\$ 292,056</u>	<u>\$ 3,760,248</u>
<b>LIABILITIES</b>					
Due to other funds	<u>\$ 1,800</u>	<u>\$ 2,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,141</u>
Total liabilities	<u>1,800</u>	<u>2,178</u>	<u>-</u>	<u>-</u>	<u>7,141</u>
<b>FUND BALANCE</b>					
Restricted	-	-	1,802,014	292,056	3,760,248
Unassigned	<u>(1,800)</u>	<u>(2,178)</u>	<u>-</u>	<u>-</u>	<u>(7,141)</u>
Total fund balance	<u>(1,800)</u>	<u>(2,178)</u>	<u>1,802,014</u>	<u>292,056</u>	<u>3,753,107</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,802,014</u>	<u>\$ 292,056</u>	<u>\$ 3,760,248</u>

**CITY OF SALINAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>COP 1999 &amp; 2004 Consolidation (2014)</b>	<b>2018 Lease-PS Building Police</b>	<b>COP 2018B T.R.I.P. Total Rd Impv</b>	<b>Energy Improvement Lease</b>	<b>COP 2005 A &amp; B 2015 Refunding</b>
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	24,965	-	706,067	1,573	2,351
Miscellaneous	-	-	-	-	-
Total revenues	<u>24,965</u>	<u>-</u>	<u>706,067</u>	<u>1,573</u>	<u>2,351</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal retirement	145,000	-	-	927,236	555,000
Interest and fiscal charges	87,455	3,163	2,220,342	612,942	144,082
Total expenditures	<u>232,455</u>	<u>3,163</u>	<u>2,220,342</u>	<u>1,540,178</u>	<u>699,082</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(207,490)</u>	<u>(3,163)</u>	<u>(1,514,275)</u>	<u>(1,538,605)</u>	<u>(696,731)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Housing loan repayment from Successor Agency	-	-	-	1,308	-
Operating transfers in	-	-	2,218,130	1,538,870	699,020
Operating transfers out	(529,111)	-	-	-	-
Total other financing sources (uses)	<u>(529,111)</u>	<u>-</u>	<u>2,218,130</u>	<u>1,540,178</u>	<u>699,020</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(736,601)</u>	<u>(3,163)</u>	<u>703,855</u>	<u>1,573</u>	<u>2,289</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>1,578,201</u>	<u>-</u>	<u>-</u>	<u>34,092</u>	<u>82,769</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 841,600</u>	<u>\$ (3,163)</u>	<u>\$ 703,855</u>	<u>\$ 35,665</u>	<u>\$ 85,058</u>

**CITY OF SALINAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2018</b>	<b>Assessment</b>	<b>Assessment</b>	<b>2019</b>	
	<b>Lease-El</b>	<b>District</b>	<b>District</b>	<b>Special Tax Bond</b>	
	<b>Gabilan Library</b>	<b>Administration</b>	<b>Reserve</b>	<b>Monte Bella</b>	<b>Totals</b>
<b>REVENUES</b>					
Charges for services	\$ -	\$ 11,089	\$ -	\$ 3,500	\$ 14,589
Interest	-	-	41,441	-	776,397
Miscellaneous	-	-	(95)	-	(95)
Total revenues	<u>-</u>	<u>11,089</u>	<u>41,346</u>	<u>3,500</u>	<u>790,891</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal retirement	-	-	-	-	1,627,236
Interest and fiscal charges	1,800	-	-	150,098	3,219,882
Total expenditures	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>150,098</u>	<u>4,847,118</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,800)</u>	<u>11,089</u>	<u>41,346</u>	<u>(146,598)</u>	<u>(4,056,227)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Housing loan repayment from Successor Agency	-	-	-	-	1,308
Operating transfers in	-	-	-	438,654	4,894,674
Operating transfers out	-	-	(220,027)	-	(749,138)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(220,027)</u>	<u>438,654</u>	<u>4,146,844</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,800)</u>	<u>11,089</u>	<u>(178,681)</u>	<u>292,056</u>	<u>90,617</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>-</u>	<u>(13,267)</u>	<u>1,980,695</u>	<u>-</u>	<u>3,662,490</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ (1,800)</u>	<u>\$ (2,178)</u>	<u>\$ 1,802,014</u>	<u>\$ 292,056</u>	<u>\$ 3,753,107</u>

# **NON-MAJOR GOVERNMENTAL FUNDS**

## **CAPITAL PROJECT FUNDS**

Capital Projects Funds are used to account for major capital acquisition and construction activities. The Capital Projects Funds used by the City in this report are as follows:

Special Aviation Fund - This fund accounts for federal and state airport grants. Funds are used to reimburse the Capital Projects Fund for airport capital expenditures.

Assessment District Projects Fund - This fund accounts for bond proceeds from assessment districts used for capital improvements. Funds are used to reimburse the Capital Projects Fund for assessment district capital project expenditures.

2019 Spec Tax Bond Monte Bella - This fund accounts for bond proceeds from assessments from the Monte Bella District for Capital Improvements. Funds are used to reimburse the Capital Projects Fund for Monte Bella District Capital Project Expenditures.

Capital Projects - This fund accounts for all capital project expenditures. Funds are transferred in from various other funds after expenditures are made. This revolving fund was established with \$2,000,000 and is used to advance capital project expenditures prior to reimbursement of Federal, State, and other construction grants and bond financing.



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**CITY OF SALINAS  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUNDS  
JUNE 30, 2019**

	<b>Special Aviation</b>	<b>Assessment District Project</b>	<b>2019 Spec Tax Bond Monte Bella</b>	<b>Capital Projects</b>	<b>Totals</b>
<b>ASSETS</b>					
Cash and investments	\$ 1,107,821	\$ 405,279	\$ 2,658	\$ 2,000,000	\$ 3,515,758
Receivables, net:					
Accrued interest	5,800	1,988	7,374	-	15,162
Due from outside agencies	918,793	-	-	-	918,793
Due from other funds	-	-	-	560,636	560,636
Restricted cash and investments	-	-	301,112	-	301,112
Total assets	<u>\$ 2,032,414</u>	<u>\$ 407,267</u>	<u>\$ 311,144</u>	<u>\$ 2,560,636</u>	<u>\$ 5,311,461</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 594,538	\$ -	\$ -	\$ 560,636	\$ 1,155,174
Due to other funds	-	-	285,966	-	285,966
Total liabilities	<u>594,538</u>	<u>-</u>	<u>285,966</u>	<u>560,636</u>	<u>1,441,140</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - grants	918,793	-	-	-	918,793
Total deferred inflows of resources	<u>918,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>918,793</u>
<b>FUND BALANCE</b>					
Restricted	1,437,876	407,267	25,178	-	1,870,321
Committed	-	-	-	2,000,000	2,000,000
Unassigned	(918,793)	-	-	-	(918,793)
Total fund balance	<u>519,083</u>	<u>407,267</u>	<u>25,178</u>	<u>2,000,000</u>	<u>2,951,528</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 2,032,414</u>	<u>\$ 407,267</u>	<u>\$ 311,144</u>	<u>\$ 2,560,636</u>	<u>\$ 5,311,461</u>

**CITY OF SALINAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Special Aviation</u>	<u>Assessment District Project</u>	<u>2019 Spec Tax Bond Monte Bella</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>REVENUES</b>					
Intergovernmental	\$ 38,831	\$ -	\$ -	\$ -	\$ 38,831
Interest	30,073	8,805	25,178	-	64,056
Total revenues	<u>68,904</u>	<u>8,805</u>	<u>25,178</u>	<u>-</u>	<u>102,887</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	620	620
Public works	-	-	-	295,599	295,599
Capital outlay	18,530	-	1,633,604	13,956,489	15,608,623
Debt service:					
Principal retirement	-	-	-	727,102	727,102
Interest and fiscal charges	-	-	-	89,575	89,575
Total expenditures	<u>18,530</u>	<u>-</u>	<u>1,633,604</u>	<u>15,069,385</u>	<u>16,721,519</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>50,374</u>	<u>8,805</u>	<u>(1,608,426)</u>	<u>(15,069,385)</u>	<u>(16,618,632)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	-	-	2,749,934	-	2,749,934
Operating transfers in	-	-	-	15,069,385	15,069,385
Operating transfers out	(1,012,835)	-	(1,116,330)	-	(2,129,165)
Total other financing sources (uses)	<u>(1,012,835)</u>	<u>-</u>	<u>1,633,604</u>	<u>15,069,385</u>	<u>15,690,154</u>
<b>NET CHANGE IN FUND BALANCE</b>	(962,461)	8,805	25,178	-	(928,478)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,481,544</u>	<u>398,462</u>	<u>-</u>	<u>2,000,000</u>	<u>3,880,006</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 519,083</u>	<u>\$ 407,267</u>	<u>\$ 25,178</u>	<u>\$ 2,000,000</u>	<u>\$ 2,951,528</u>



## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Risk Management Fund - This fund is used to account for the City's risk management program which administers employee benefits and the Internal Service Funds insurance programs.

General Insurance Fund - This fund is used to account for city-wide safety programs, employee assistance programs, unemployment claims, biennial physical exams, and insurance for property, fine arts, and reimbursable damages.

Workers Compensation Fund - This fund is used to account for the City's self-insured workers compensation program.

General Liability Fund - This fund is used to account for the City's self-insured general liability insurance program.

Fleet Maintenance Fund - This fund is used to account for the inspection, maintenance, and repair of all the City's vehicles and equipment.



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**CITY OF SALINAS**  
**COMBINING STATEMENT OF FUND NET POSITION (DEFICITS)**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2019**

	<b>Risk Management</b>	<b>General Insurance</b>	<b>Workers Compensation</b>	<b>General Liability</b>	<b>Fleet Maintenance</b>	<b>Total</b>
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 1,941,621	\$ 4,007,984	\$ 5,034,194	\$ 4,113,153	\$ 868,207	\$ 15,965,159
Receivables, net						
Excess insurance receivable	-	-	-	8,000,000	-	8,000,000
Accrued interest	-	-	23,447	16,819	-	40,266
Due from general fund	-	-	15,396,150	-	-	15,396,150
Total current assets	<u>1,941,621</u>	<u>4,007,984</u>	<u>20,453,791</u>	<u>12,129,972</u>	<u>868,207</u>	<u>39,401,575</u>
Noncurrent Assets:						
Restricted cash and investments	-	-	283,770	129,851	-	413,621
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>283,770</u>	<u>129,851</u>	<u>-</u>	<u>413,621</u>
Total assets	<u>1,941,621</u>	<u>4,007,984</u>	<u>20,737,561</u>	<u>12,259,823</u>	<u>868,207</u>	<u>39,815,196</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Related to pensions	-	-	-	85,929	343,717	429,646
Related to OPEB	-	-	1,503	5,796	10,367	17,666
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>1,503</u>	<u>91,725</u>	<u>354,084</u>	<u>447,312</u>
Total assets and deferred outflows	<u>1,941,621</u>	<u>4,007,984</u>	<u>20,739,064</u>	<u>12,351,548</u>	<u>1,222,291</u>	<u>40,262,508</u>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts payable	-	16,818	20,806	12,702	81,560	131,886
Insurance claims payable	-	-	20,611,511	9,973,263	-	30,584,774
Long term debt - due within one year	-	-	362	2,795	21,978	25,135
Total current liabilities	<u>-</u>	<u>16,818</u>	<u>20,632,679</u>	<u>9,988,760</u>	<u>103,538</u>	<u>30,741,795</u>
Noncurrent Liabilities:						
Long term debt - due in more than one year	-	-	1,447	11,181	87,914	100,542
Net pension liability	-	-	-	309,617	1,238,469	1,548,086
Net OPEB liability	-	-	25,390	97,925	175,157	298,472
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>26,837</u>	<u>418,723</u>	<u>1,501,540</u>	<u>1,947,100</u>
Total liabilities	<u>-</u>	<u>16,818</u>	<u>20,659,516</u>	<u>10,407,483</u>	<u>1,605,078</u>	<u>32,688,895</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Related to pensions	-	-	-	12,802	51,202	64,004
Related to OPEB	-	-	2,508	9,668	17,293	29,469
Total deferred inflows	<u>-</u>	<u>-</u>	<u>2,508</u>	<u>22,470</u>	<u>68,495</u>	<u>93,473</u>
<b>NET POSITION (DEFICIT)</b>						
Restricted	-	-	-	-	-	-
Unrestricted	1,941,621	3,991,166	77,040	1,921,595	(451,282)	7,480,140
Total net position (deficit)	<u>\$ 1,941,621</u>	<u>\$ 3,991,166</u>	<u>\$ 77,040</u>	<u>\$ 1,921,595</u>	<u>\$ (451,282)</u>	<u>\$ 7,480,140</u>

**CITY OF SALINAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICIT)**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Risk Management</b>	<b>General Insurance</b>	<b>Workers Compensation</b>	<b>General Liability</b>	<b>Fleet Maintenance</b>	<b>Total</b>
<b>OPERATING REVENUES</b>						
Charges for services	\$ 514	\$ 154,527	\$ 4,625,881	\$ 267,284	\$ 559	\$ 5,048,765
Total operating revenues	514	154,527	4,625,881	267,284	559	5,048,765
<b>OPERATING EXPENSES</b>						
Personnel services	-	-	28,093	476,687	1,375,734	1,880,514
Contractual services	-	29,074	10,500	66,807	334,990	441,371
Supplies	731	-	-	-	606,086	606,817
Insurance	-	326,261	520,593	584,837	-	1,431,691
Insurance claims	-	-	3,758,797	1,271,749	-	5,030,546
Utilities	-	-	-	-	191	191
Other	-	243,094	297,211	-	15,024	555,329
Total operating expenses	731	598,429	4,615,194	2,400,080	2,332,025	9,946,459
<b>OPERATING INCOME (LOSS)</b>	<b>(217)</b>	<b>(443,902)</b>	<b>10,687</b>	<b>(2,132,796)</b>	<b>(2,331,466)</b>	<b>(4,897,694)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	-	-	100,886	75,040	-	175,926
Total nonoperating revenues (expenses)	-	-	100,886	75,040	-	175,926
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>						
Transfers in	350,000	650,000	-	2,202,900	2,111,704	5,314,604
<b>CHANGE IN NET POSITION</b>	<b>349,783</b>	<b>206,098</b>	<b>111,573</b>	<b>145,144</b>	<b>(219,762)</b>	<b>592,836</b>
<b>NET POSITION (DEFECIT), BEGINNING OF YEAR</b>	<b>1,591,838</b>	<b>3,785,068</b>	<b>(34,533)</b>	<b>1,776,451</b>	<b>(231,520)</b>	<b>6,887,304</b>
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<b>\$ 1,941,621</b>	<b>\$ 3,991,166</b>	<b>\$ 77,040</b>	<b>\$ 1,921,595</b>	<b>\$ (451,282)</b>	<b>\$ 7,480,140</b>

**CITY OF SALINAS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>Risk Management Fund</b>	<b>General Insurance Fund</b>	<b>Workers Compensation Fund</b>	<b>General Liability Fund</b>	<b>Fleet Maintenance Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>						
Receipts from interfund services provided	\$ 514	\$ 154,527	\$ 4,625,881	\$ (7,732,716)	\$ 559	\$ (2,951,235)
Payments to Suppliers	(731)	(591,265)	(828,306)	(653,388)	(987,155)	(3,060,845)
Payments to Employees	-	-	(105,816)	(398,416)	(870,494)	(1,374,726)
Payments to Claimants	-	-	(4,533,928)	6,928,161	-	2,394,233
Net Cash Provided (Used) by Operating Activities	(217)	(436,738)	(842,169)	(1,856,359)	(1,857,090)	(4,992,573)
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Operating Transfers In	350,000	650,000	1,352,779	2,202,900	2,111,704	6,667,383
Net Cash Provided by (Used for) Non-capital Financing Activities	350,000	650,000	1,352,779	2,202,900	2,111,704	6,667,383
<b>Cash Flows from Investing Activities:</b>						
Interest received	-	-	100,886	75,040	-	175,926
Increase (decrease) in fair value of LAIF investments	-	-	(3,471)	(3,242)	-	(6,713)
Net Cash Provided by (Used for) Investing Activities	-	-	97,415	71,798	-	169,213
Net increase (decrease) in cash and cash equivalents	349,783	213,262	608,025	418,339	254,614	1,844,023
Cash and cash equivalents at beginning of year	1,591,838	3,794,722	4,709,939	3,824,665	613,593	14,534,757
Cash and cash equivalents at end of year	<u>\$ 1,941,621</u>	<u>\$ 4,007,984</u>	<u>\$ 5,317,964</u>	<u>\$ 4,243,004</u>	<u>\$ 868,207</u>	<u>\$ 16,378,780</u>

**CITY OF SALINAS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>Risk Management Fund</b>	<b>General Insurance Fund</b>	<b>Workers Compensation Fund</b>	<b>General Liability Fund</b>	<b>Fleet Maintenance Fund</b>	<b>Totals</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position</b>						
Ending cash and cash equivalents - statement of cash flows	\$ 1,941,621	\$ 4,007,984	\$ 5,317,964	\$ 4,243,004	\$ 868,207	\$ 16,378,780
Less amounts reported in restricted cash and investments	-	-	(283,770)	(129,851)	-	(413,621)
Cash and cash equivalents - statement of net position	<u>\$ 1,941,621</u>	<u>\$ 4,007,984</u>	<u>\$ 5,034,194</u>	<u>\$ 4,113,153</u>	<u>\$ 868,207</u>	<u>\$ 15,965,159</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (217)	\$ (443,902)	\$ 10,687	\$ (2,132,796)	\$ (2,331,466)	\$ (4,897,694)
Adjustments to Reconcile Net Income to						
Net Cash Provided by Operating Activities:						
(Increase) Decrease in Excess Insurance Receivable	-	-	-	(8,000,000)	-	(8,000,000)
(Increase) decrease in deferred outflows - pension	-	-	32,769	(20,390)	(147,093)	(134,714)
(Increase) decrease in deferred outflows - OPEB	-	-	(38)	(147)	(263)	(448)
Increase (decrease) in accounts payable	-	7,164	555	1,056	(19,918)	(11,143)
Increase (decrease) in insurance claims	-	-	(775,131)	8,199,910	-	7,424,779
Increase (decrease) in accrued leave	-	-	(1,241)	(8,233)	9,970	496
Increase (decrease) in Net pension liability	-	-	(104,651)	100,315	610,533	606,197
Increase (decrease) in Net OPEB liability	-	-	276	1,063	1,903	3,242
Increase (decrease) in deferred inflows - pension	-	-	(5,855)	1,094	16,079	11,318
Increase (decrease) in deferred inflows - OPEB	-	-	460	1,769	3,165	5,394
Total Adjustments to Net Income	<u>-</u>	<u>7,164</u>	<u>(852,856)</u>	<u>276,437</u>	<u>474,376</u>	<u>(94,879)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (217)</u>	<u>\$ (436,738)</u>	<u>\$ (842,169)</u>	<u>\$ (1,856,359)</u>	<u>\$ (1,857,090)</u>	<u>\$ (4,992,573)</u>

# Fiduciary Funds

## PRIVATE-PURPOSE TRUST FUNDS

The private-purpose trust funds accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and other trust arrangement not properly reported in a pension trust.

### Successor Agency –

*RORF* - This fund accounts for all the financial activities of the Redevelopment Obligation Retirement Fund (RORF) related to the former Redevelopment Project Area in accordance with AB 1x26 and AB 1484 which unwind the Redevelopment Agency of the City of Salinas.

*Administration* – This fund accounts for the administrative activities of the Successor Agency to the former Salinas Redevelopment Agency which was dissolved on February 1, 2012 in accordance with AB 1x26 (enacted June 28, 2011).

Other Private Purpose Trust Funds – These funds are used to account for other trust arrangements not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. The City accounts for the following trust funds: Community Center, Monterey Regional Water Pollution Control Agency (MRWPCA) Fees, Sales Tax, Payroll Taxes, Developer Deposits, Evidence Room, Construction Bonds, Monterey County Tourism Improvement District, Leadership Salinas, and miscellaneous.



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**CITY OF SALINAS**  
**COMBINING STATEMENT OF NET POSITION (DEFICIT)**  
**PRIVATE PURPOSE TRUST FUNDS**  
**JUNE 30, 2019**

	<b>Successor Agency Trust</b>			<b>Other Private Purpose Trust</b>	<b>Total</b>
	<b>Redevelopment Obligation Retirement Fund</b>	<b>Administration</b>	<b>Total Successor Agency Trust</b>		
<b>ASSETS</b>					
Cash and investments	\$ 2,919,670	\$ 49,214	\$ 2,968,884	\$ 699,249	\$ 3,668,133
Cash and investments held by fiscal agent	1,591,907	-	1,591,907	-	1,591,907
Receivables					
Accounts	-	-	-	7,618	7,618
Interest	10,853	-	10,853	-	10,853
Loans and notes receivable	173,900	-	173,900	-	173,900
Capital assets, net of accumulated depreciation	149,270	-	149,270	-	149,270
<b>Total assets</b>	<b>4,845,600</b>	<b>49,214</b>	<b>4,894,814</b>	<b>706,867</b>	<b>5,601,681</b>
<b>LIABILITIES</b>					
Accounts payable	-	4,159	4,159	91,497	95,656
Interest payable	690,029	-	690,029	-	690,029
Long term debt					
Due within one year	303,685	-	303,685	-	303,685
Due in more than one year	2,389,708	-	2,389,708	-	2,389,708
<b>Total liabilities</b>	<b>3,383,422</b>	<b>4,159</b>	<b>3,387,581</b>	<b>91,497</b>	<b>3,479,078</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Future ROPS	2,137,415	10,000	2,147,415	-	2,147,415
<b>Total deferred inflows of resources</b>	<b>2,137,415</b>	<b>10,000</b>	<b>2,147,415</b>	<b>-</b>	<b>2,147,415</b>
<b>NET POSITION (DEFICIT)</b>					
Restricted for:					
Individuals and organizations	(675,237)	35,055	(640,182)	615,370	(24,812)
<b>Total net position</b>	<b>\$ (675,237)</b>	<b>\$ 35,055</b>	<b>\$ (640,182)</b>	<b>\$ 615,370</b>	<b>\$ (24,812)</b>

**CITY OF SALINAS**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION (DEFICIT)**  
**PRIVATE PURPOSE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Successor Agency Trust</u>			<u>Other Private Purpose Trust</u>	<u>Total</u>
	<u>Redevelopment Obligation Retirement Fund</u>	<u>Administration</u>	<u>Total Successor Agency Trust</u>		
<b>ADDITIONS</b>					
Taxes	\$ 4,442,475	\$ 157,750	\$ 4,600,225	\$ -	\$ 4,600,225
Contributions					
Private contributions	-	-	-	1,686,812	1,686,812
Investment earnings					
Interest	124,082	-	124,082	-	124,082
Total additions	<u>4,566,557</u>	<u>157,750</u>	<u>4,724,307</u>	<u>1,920,227</u>	<u>6,644,534</u>
<b>DEDUCTIONS</b>					
Expenses	1,245,778	172,716	1,418,494	238,518	1,657,012
Benefit payments	-	-	-	-	-
Payments on behalf of trustees	1,925,779	81,777	2,007,556	1,692,929	3,700,485
Contribution to other agencies	950,407	1,308	951,715	-	951,715
Total deductions	<u>4,121,964</u>	<u>255,801</u>	<u>4,377,765</u>	<u>1,931,447</u>	<u>6,309,212</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>444,593</u>	<u>(98,051)</u>	<u>346,542</u>	<u>(11,220)</u>	<u>335,322</u>
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR</b>	(1,119,830)	133,106	(986,724)	2,250,096	1,263,372
Prior Period Adjustment	-	-	-	(1,623,506)	(1,623,506)
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR - AS RESTATED</b>	<u>(1,119,830)</u>	<u>133,106</u>	<u>(986,724)</u>	<u>626,590</u>	<u>(360,134)</u>
<b>END OF YEAR</b>	<u>\$ (675,237)</u>	<u>\$ 35,055</u>	<u>\$ (640,182)</u>	<u>\$ 615,370</u>	<u>\$ (24,812)</u>

## CUSTODIAL FUNDS

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds operate as a clearing mechanism. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own outright.

Business Improvements District Fund - This fund accounts for the business license surcharged assessment imposed on Alisal businesses, and are used to promote and revitalize the business district. Expenditures are determined by the districts' Board of Directors and approved by the City Council.

Economic Development - This fund is used to account for the activities related to enhancing economic development in the City with the purpose of increasing employment opportunities, better paying employment, assisting local businesses to remain competitive and attracting new, desirable business and promoting expansion of tourism industry while enhancing revenue stream for the City. Fund balance was transferred to the general fund after implementation of GASB 84.

Flexible Spending - This fund is used to account for revenues resulting of employee concessions contributions used to reduce the cost of medical, vision and dental health insurance premiums.

Cafeteria Plan - This fund is used to account for the City's Cafeteria Plan for unreimbursed medical and dependent care payments (Flexible Spending Account) operated under Section 125 of the Internal Revenue Code. Pre-tax monies are deducted from employees in accordance with their Salary Redirection Agreements and used to reimburse employees for qualified unreimbursed medical and dependent care expenses after obtaining approval from the City's cafeteria plan administrator.

Downtown Community Benefit District - This fund accounts for the property assessment generated revenues imposed on the Downtown Community Benefit District. The concept is that eventually the Downtown Community Benefit District will grow and receive revenues from multiple sources within a defined boundary that can among other things, including entrepreneurial activities, special mandate, are not be excluded, and no exemptions for not-for-profit entities are being considered. It can be governed by a 501(c)3 non-profit corporation, merging the existing energies in Downtown into just one organization, rather than the 501(c)6 BID and the OSA Foundation. It can receive grants and donations, and merge these with more assessments that are powerful.



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**CITY OF SALINAS**  
**COMBINING STATEMENT OF NET POSITION**  
**CUSTODIAL FUNDS**  
**JUNE 30, 2019**

	<b>SUBA Business Improvement District</b>	<b>Economic Development</b>	<b>Flexible Spending</b>	<b>Cafeteria Plan</b>	<b>Downtown Community Benefit District</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and investments	\$ 959	\$ -	\$ 135,195	\$ 1	\$ -	\$ 136,155
Receivables						
Accounts	-	-	151,807	-	-	151,807
Total assets	959	-	287,002	1	-	287,962
<b>LIABILITIES</b>						
Accounts payable	959	-	195,164	-	-	196,123
Total liabilities	959	-	195,164	-	-	196,123
<b>NET POSITION</b>						
Restricted for:						
Individuals and organizations	-	-	91,838	1	-	91,839
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,838</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 91,839</u>

**CITY OF SALINAS**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**CUSTODIAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>SUBA Business Improvement District</b>	<b>Economic Development</b>	<b>Flexible Spending</b>	<b>Cafeteria Plan</b>	<b>Downtown Community Benefit District</b>	<b>Total</b>
<b>ADDITIONS</b>						
Contributions						
Plan members	\$ -	\$ -	\$ 258,721	\$ -	\$ -	\$ 258,721
Total contributions	-	-	258,721	-	-	258,721
Assessments collected for other governments	73,053	-	-	-	462,033	535,086
Total additions	73,053	-	258,721	-	462,033	793,807
<b>DEDUCTIONS</b>						
Benefit payments	-	-	242,873	-	-	242,873
Assessments disbursed to other governments	79,096	-	-	-	475,853	554,949
Total deductions	79,096	-	242,873	-	475,853	797,822
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<b>(6,043)</b>	<b>-</b>	<b>15,848</b>	<b>-</b>	<b>(13,820)</b>	<b>(4,015)</b>
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR</b>	<b>6,043</b>	<b>122,000</b>	<b>75,990</b>	<b>1</b>	<b>13,820</b>	<b>217,854</b>
Prior Period Adjustment	-	(122,000)	-	-	-	(122,000)
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR - AS RESTATED</b>	<b>6,043</b>	<b>-</b>	<b>75,990</b>	<b>1</b>	<b>13,820</b>	<b>95,854</b>
<b>END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,838</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 91,839</b>

**GENERAL,  
MEASURE E,  
& MEASURE G FUNDS**



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**CITY OF SALINAS**  
**COMBINING BALANCE SHEET**  
**GENERAL, MEASURE E, & MEASURE G FUNDS**  
**JUNE 30, 2019**

	<u>General</u>	<u>Measure E</u>	<u>Measure G</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ 27,654,020	\$ 6,760,887	\$ 15,365,420	\$ 49,780,327
Receivables, net				
Taxes	8,421,199	2,233,177	4,484,779	15,139,155
Accounts	235,946	-	-	235,946
Accrued interest	377,714	30,985	74,979	483,678
Due from outside agencies	75,000	-	-	75,000
Due from other funds	3,193,187	-	-	3,193,187
Inventory	11,019	-	-	11,019
Advances to other funds	6,085,000	-	-	6,085,000
Total assets	<u>\$ 46,053,085</u>	<u>\$ 9,025,049</u>	<u>\$ 19,925,178</u>	<u>\$ 75,003,312</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,010,692	\$ 342,279	\$ 507,919	\$ 6,860,890
Deposits	127,039	-	-	127,039
Due to other funds	15,471,303	8,450	263,389	15,743,142
Total liabilities	<u>21,609,034</u>	<u>350,729</u>	<u>771,308</u>	<u>22,731,071</u>
<b>FUND BALANCE</b>				
Nonspendable	6,171,019	-	-	6,171,019
Committed	650,461	152,884	4,235,330	5,038,675
Assigned	10,996,190	6,532,506	13,210,308	30,739,004
Unassigned	6,626,381	1,988,930	1,708,232	10,323,543
Total fund balance	<u>24,444,051</u>	<u>8,674,320</u>	<u>19,153,870</u>	<u>52,272,241</u>
Total liabilities and fund balance	<u>\$ 46,053,085</u>	<u>\$ 9,025,049</u>	<u>\$ 19,925,178</u>	<u>\$ 75,003,312</u>

**CITY OF SALINAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL, MEASURE E, & MEASURE G FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Measure E</u>	<u>Measure G</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes	\$ 85,997,478	\$ 13,688,397	\$ 27,453,643	\$ 127,139,518
Licenses and permits	7,490,908	-	-	7,490,908
Intergovernmental	933,586	-	-	933,586
Charges for services	5,685,066	-	-	5,685,066
Interest	1,442,369	121,120	307,579	1,871,068
Rental income	370,372	-	-	370,372
Fines and forfeits	321,889	-	-	321,889
Miscellaneous	988,235	2,242	-	990,477
Total revenues	<u>103,229,903</u>	<u>13,811,759</u>	<u>27,761,222</u>	<u>144,802,884</u>
<b>EXPENDITURES</b>				
Current:				
General government	14,797,372	291,777	1,227,190	16,316,339
Public safety	58,805,790	3,826,788	10,109,246	72,741,824
Public works	9,396,551	746,311	1,093,042	11,235,904
Recreation	949,561	1,429,249	1,428,727	3,807,537
Library	-	4,739,101	-	4,739,101
Capital outlay	475,655	142,867	127,745	746,267
Total expenditures	<u>84,424,929</u>	<u>11,176,093</u>	<u>13,985,950</u>	<u>109,586,972</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>18,804,974</u>	<u>2,635,666</u>	<u>13,775,272</u>	<u>35,215,912</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	3,598,770	699,460	-	4,298,230
Operating transfers out	(11,599,745)	(1,063,868)	(9,891,364)	(22,554,977)
Total other financing sources (uses)	<u>(8,000,975)</u>	<u>(364,408)</u>	<u>(9,891,364)</u>	<u>(18,256,747)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>10,803,999</u>	<u>2,271,258</u>	<u>3,883,908</u>	<u>16,959,165</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	12,240,317	6,403,062	15,269,962	33,913,341
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>1,399,735</u>	-	-	<u>1,399,735</u>
<b>FUND BALANCES BEGINNING OF YEAR, AS RESTATED</b>	<u>13,640,052</u>	<u>6,403,062</u>	<u>15,269,962</u>	<u>35,313,076</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 24,444,051</u>	<u>\$ 8,674,320</u>	<u>\$ 19,153,870</u>	<u>\$ 52,272,241</u>



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