

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018



**Building a Great
Community Together**

City of Redwood City

Redwood City, California



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

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Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2018

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*City of Redwood City
Comprehensive Annual Financial Report
June 30, 2018*

Administrative Services Department



1017 Middlefield Road
Redwood City, California 94063
Telephone: (650) 780-7070
Fax: (650) 366-2447
E-mail: mail@redwoodcity.org

December 10, 2018

Honorable Mayor Ian Bain
Members of the City Council,
City Manager, and Citizens of the
City of Redwood City
Redwood City, California

I am pleased to submit for your information and consideration the Comprehensive Annual Financial Report (CAFR) of the City of Redwood City for the fiscal year ended June 30, 2018.

This report contains a complete set of audited financial statements, prepared by the City's Finance Division, in accordance with Generally Accepted Accounting Principles (GAAP), as promulgated by the Government Accounting Standards Board (GASB). The responsibility for both the accuracy of the printed data and the completeness and fairness of the presentation including all disclosures rests with the management of the City. It is our opinion that the data presented is accurate in all material respects and is presented in a manner designed to set forth the financial positions and results of operations of the City and its related entities as measured by the financial activities of their various funds. Furthermore, all disclosures necessary for the reader to gain a full understanding of their financial activities have been included.

To provide a reasonable basis for making those representations, City management has established a comprehensive internal control framework designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP.

Badawi and Associates, a firm of independent, licensed and Certified Public Accountants, has audited the City's financial statements for the fiscal year ended June 30, 2018. The objective of the independent audit is to provide reasonable assurance that the financial statements of the City and related entities are free of material misstatement. The auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion on the City's basic financial statements as of and for the fiscal year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report on page 1.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. Redwood City's MD&A can be found immediately following the report of the independent auditors on page 4. The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure.

REPORTING ENTITY AND ITS SERVICES

Redwood City is a San Francisco Bay Area community located in the heart of Silicon Valley. With a population of over 86,000, Redwood City is the third largest city within the County of San Mateo. The City of Redwood City was incorporated in 1867 and became a Charter City in 1929. It operates under a council-manager form of government and is a full service City, providing a range of services that include police and fire protection, recreation and parks, libraries, street maintenance and construction, infrastructure improvements, planning and zoning, water delivery, port facilities, and storm drains. Although the City maintains sewer lines and pump stations, the sewer plant and treatment services are provided by the Silicon Valley Clean Water Authority (formerly the South Bayside System Authority), a joint powers authority of which Redwood City is an equity holder.

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

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

FINANCIAL INFORMATION

Accounting System and Budgetary Control

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

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

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

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

Beginning with the financial statements for FY 2014-15, the City, along with other governmental agencies, was required to implement a new accounting standard, Governmental Accounting Standards Board Statement No. 68 (GASB 68). GASB 68 required all governmental agencies to record the unfunded pension liability on their balance sheet (i.e. Statement of Net Position). Detailed information regarding the City's pension liability is described in Note 9.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The local economy continues to exhibit signs of a healthy economy. Local economists are not forecasting an economic downturn during the next fiscal year; however, it is likely that a downturn will occur at some point within the next five years. As of June 2018, the unemployment rate in San Mateo County was 2.5 percent, which is a slight uptick from the May 2018 level of 1.9 percent (lowest level in almost 19 years). The City of Redwood City's unemployment rate as of June 2018 was 2.4 percent. Both San Mateo County and Redwood City unemployment rates are consistently lower than the State's unemployment rate of 4.2 percent and the national rate of 4.0 percent. The number of employed residents in the County increased slightly from 437,500 in June 2017 to 438,700 in June 2018.

The Redwood City office market citywide vacancy rate was 5.5 percent, reflecting higher vacancy in the Redwood Shores area. Retail space vacancy in the downtown area remains less than 2.5 percent, but the construction of two new mixed-use projects will add new retail space to the inventory.

We believe these indicators paint a positive picture of the local economy and provide a solid underpinning for steady economic growth continuing into the near future. Recognizing that local and regional growth have exacerbated long-term mobility and affordable housing challenges, the City Council has taken numerous steps to address these issues over the past several years.

Economic Development Initiatives

With the adoption of the Downtown Precise Plan in 2011, Downtown Redwood City has become a vibrant district where Redwood City residents enjoy working, living, and playing.

The opening of the Crossing 900 Building, 815 Hamilton, 601 Marshall, and two other office buildings under construction totaling 500,000 new square feet, has made downtown a desirable location for new businesses to locate. The close proximity to a Caltrain station, easy freeway access, and central location to San Francisco and San Jose make Redwood City one of the fastest growing locations for startup businesses to locate.

In addition to the new office developments, Redwood City is also seeing a growth in housing. New housing units in and around the Downtown are helping to address regional housing needs and provide housing for the City's growing employment base.

Phase I of the Stanford Redwood City project is under construction and consists of 570,000 square feet of office space, a 1,057 space parking structure, a fitness center, a childcare facility, and a 2.4 acre publicly accessible open space. As part of the development, Stanford will provide over \$15 million in community benefits for such things as education, sustainability, public transportation studies, affordable housing and more over the course of two phases.

Long-Term Financial Planning

The City has been assigned an Aa1 issuer rating by Moody's Investor Services. The rating reflects the City's sizeable and primarily residential tax base that is poised for moderate growth, strong wealth indicators, a healthy financial position supported by strong reserve and liquidity levels, and a very modest debt burden. Maintaining a sustainable budget and prudently planning for the City's current and long-term needs is a top priority for the City Council. The City continues to focus strategically on appropriate funding strategies for annual operations, a robust capital improvement program, and future liabilities. Each year, the City prepares a five-year General Fund forecast to project revenue and expenditure trends. Beginning with the FY 2019-20 budget, the City will prepare a ten-year General Fund forecast. These forecasts are an integral part of the annual budget process as the City seeks to establish and implement its priorities in a fiscally sustainable manner. The City reviews major cost drivers to anticipate and control expenses to the full extent possible and makes fiscal decisions within the framework of the forecast. The City also monitors its revenue sources to identify and plan for trends. Financial planning also

takes the form of continuous review and refinement of fiscal policies and forecasts, and an understanding of the initiatives being undertaken by the entire organization.

During FY 2017-18, the City began the process of reshaping service delivery for the future in order to fund upcoming costs and long-term liabilities. Strategic elements to this process include:

- Addressing unfunded liabilities and preparing for dramatic increases in pension costs
- Implementing efficiencies through reorganization and best management practices
- Exploring shared services with outside agencies to reduce costs
- Paving the way for new service approaches
- Continuing to invest in employees and our organizational culture
- Seeking outside funding and asking for community support via two revenue measures

A summary of major revenue sources and other significant financial planning items is below.

Sales Tax

Sales tax is an important source of General Fund revenue as it accounts for approximately 16 percent of total General Fund revenues. When compared to the FY 2017-18 budget, actual revenues generated approximately 3.8 percent less revenue than the amount budgeted in the General Fund. Sales tax revenue in the General Fund decreased by 0.8 percent when compared to the prior fiscal year. Even though there was significant growth in the sales tax revenues generated by the County pool (online sales) and in the food products and construction categories, there were decreased results in all other categories. The budget versus actual variance is attributed to the accounting requirement that all revenue accruals be received within 60 days of the year-end and lower than expected actual receipts. Due to statewide sales tax return processing delays by the California Department of Tax and Fee Administration (CDTFA), the final sales tax receipts were received after the 60-day requirement, and will be recorded in FY 2018-19. If the City were to accrue the late sales tax payments for FY 2017-18, actual sales tax revenue for all funds of the City would be 1.6 percent higher than the prior fiscal year.

Redwood City, like all cities in California, experiences volatility of sales tax revenues as economic cycles ebb and flow. Residents are spending more of their disposable income on non-taxable items than before, like housing, medical care, and education. The Consumer Price Index reveals that in recent years, the prices of these items have increased rapidly, while the cost of many taxable items has dropped. Additionally, burgeoning trends toward online purchasing impact the City's sales tax revenue, since the method of distributing the tax varies. For purchases made at physical establishment located in Redwood City, sales tax is distributed based on "point of sale."

For online purchases, the tax is treated as a "use" tax. A use tax is charged on goods sold to California customers from out-of-state retailers. Use taxes are allocated to countywide pools where the goods are used. The taxes are distributed proportionately countywide based on the City's pro rata share of sales tax. Ultimately, increasing online sales will reduce local sales tax revenues.

In June 2018, the U.S. Supreme Court issued its ruling in *South Dakota vs. Wayfair, Inc.*, a case in which South Dakota sought to have a statute imposing economic nexus standards on remote sellers upheld by the Court. The Court held that states may charge taxes on purchases made by out-of-state sellers, even if the sellers do not have a physical presence in the taxing state. This decision opened the door for the State of California to require remote sellers to collect and remit sales and use taxes to local taxing agencies. The CDTFA will be issuing notices that require businesses to begin collecting and remitting sales tax by early 2019. At this time, the effect of this change on the City's sales tax revenue is unknown.

In an effort to continue the strong financial position of the City, the Redwood City Council placed two revenue measures on the November 6, 2018, ballot: a half-cent sales tax increase (Measure RR), and a cannabis excise tax

(Measure DD). The Redwood City voters passed both of these measures. It is anticipated that these new general revenues will generate over \$8 million annually for the City. The City estimates receiving approximately \$2.0 million in revenue related to the increased sales tax in the last quarter of FY 2018-19.

Property Tax

Property tax accounts for approximately 41 percent of total General Fund revenues and is a key indicator of the City's economic outlook. In FY 2017-18, secured property tax revenues increased by 5.8 percent over the previous fiscal year. Budget projections for secured property taxes in Redwood City in FY 2018-19 call for a 3.8 percent increase over FY 2017-18 actuals with indications that growth in assessed value will continue in FY 2018-19 due to strong real estate sales, property improvements, and development.

Utility Users' Tax

This City collects a voter-approved Utilities User Tax (UUT) on gas, electricity, cable and telecommunications services. UUT revenue decreased 1.5 percent in FY 2017-18 compared to FY 2016-17, driven by a decrease in demand for wireless and cable services. As more consumers move away from cable services and toward video streaming services, UUT revenue is expected to continue to decline. Following the passage of Assembly Bill 1717 in 2014, the City entered into an agreement with the State Board of Equalization for the collection of our UUT on prepaid wireless services. The City began collecting revenue on prepaid wireless in January 2016 and will continue until AB 1717 sunsets in 2020. This revenue source amounted to \$129,814 for FY 2017-18, which is 18.5 percent less than FY 2016-17. While traditional UUT revenue has been dedicated on an annual basis to support the City's capital improvement program, the City has committed this particular new source of UUT revenue to affordable housing.

Educational Revenue Augmentation Fund Refunds

In FY 1992-93 and FY 1993-94, the State shifted property taxes from cities, counties, and special districts to school districts to supplant funding that the State was providing to school districts. The County Controller places the funds that shifted from local government agencies into the Educational Revenue Augmentation Fund (ERAF). The Controller then disburses these funds to school districts based upon the formula prescribed by State law. Any funds remaining in ERAF (after the distribution to the school districts) are returned to the cities, county, and special districts in proportion to the amount they contributed to ERAF. This return of property tax revenue is difficult to anticipate due to complicated State school funding formulas, and is at risk of reduction or elimination by State action. In FY 2016-17 and FY 2017-18, the City received \$4.9 million and \$5.6 million, respectively. This level of funding was higher than can be expected in the future due to various one-time factors and recent and potential changes in school financing, which the County Controller has indicated could significantly reduce this revenue source in future fiscal years. The City's policy is to originally budget what can reasonably be estimated, which was \$2.5 million, or about 45 percent of the FY 2017-18 actual amount received. The budgeted ERAF amount was subsequently adjusted in FY 2017-18 to \$5.6 million, the actual amount received. The City has budgeted to receive \$4.0 million for FY 2018-19.

Successor Agency to the Redevelopment Agency

As of July 1, 2018, the Oversight Board of the Successor Agency to the Redevelopment Agency of Redwood City was reorganized and combined with other oversight boards in San Mateo County, thus creating one Countywide Oversight Board. Going forward, action on behalf of the Successor Agency to the Redevelopment Agency of Redwood City will be taken by the San Mateo County Countywide Oversight Board.

The City continues to focus on the disposition of the \$10.3 million in funds that had been in the former Redevelopment Agency's possession and which were encumbered for below-market housing through an agreement with the Legal Aid Society. The control of these funds has been in dispute with the State of California Department of Finance (DOF) since the Redevelopment Agency was dissolved in FY 2011-12. The City filed suit against the State of California challenging the DOF's position that these funds are unencumbered and must be

remitted to the County Controller. Although the State prevailed in the Superior Court trial, the City has filed an appeal. The appeal is fully briefed and the City has been awaiting a court date since 2015.

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

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

Relevant Financial Policies

In FY 2016-17, the City Council adopted a General Fund reserve policy, where the unreserved portion of the general fund's fund balance shall be 15 percent of anticipated General Fund revenues. Any excess balance above a 15 percent reserve threshold was approved to be utilized to fund future pension obligations or other one-time City Council priorities that do not require an ongoing commitment.

As a result of implementing GASB 54, these excess balances, if any, are reported under the category "Unassigned Fund Balances." In recent fiscal years, the City has used balances in excess of the reserve policy to pay down unfunded liabilities and contribute to a Section 115 Pension Trust Account for pension liabilities.

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

Appropriation Limit

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

The appropriation limit for Redwood City for FY 2017-18 was \$676,181,900, while the actual appropriations subject to the limit amounted to \$101,361,951. The FY 2017-18 appropriation limit increased from FY 2016-17 due primarily to the increase (3.69 percent) in Statewide per capita personal income, one of the factors used in calculating the change in the appropriation limit.

OTHER INFORMATION

Annual Independent Audit

The annual audit of the books and financial records of the City was completed by Badawi and Associates, certified public accountants appointed by the City Council. The independent auditor's report is part of this report, starting on page 1.

Awards

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Redwood City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This is the 31st consecutive year that Redwood City has received this prestigious award. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A certificate of achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the certificate of achievement program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Kimbra McCarthy". The signature is written in a cursive style with a large, looping flourish at the end.

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



Government Finance Officers Association

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

Presented to

**City of Redwood City
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF REDWOOD CITY - REDWOOD CITY, CALIFORNIA

PRINCIPAL OFFICIALS

AS OF JUNE 30, 2018

CITY COUNCIL

Ian Bain, Mayor	November 2020
Diane Howard, Vice Mayor	November 2018
Alicia C. Aguirre	November 2020
Janet Borgens	November 2020
Jeffrey Gee	November 2018
Shelly Masur	November 2020
John Seybert	November 2018

CITY MANAGER

Melissa Stevenson Diaz

DEPARTMENT DIRECTORS

Assistant City Manager/Administrative Services	Kimbra McCarthy
Assistant City Manager/Community Development	Aaron Akin
City Clerk	Pamela Aguilar
Fire Chief	Stan Maupin
Library	Derek Wolfgram
Parks, Recreation, and Community Services	Chris Beth
Police Chief	Dan Mulholland
Public Works	Terence Kyaw

CITY ATTORNEY

Veronica Ramirez

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

CITY OF REDWOOD CITY - REDWOOD CITY, CALIFORNIA

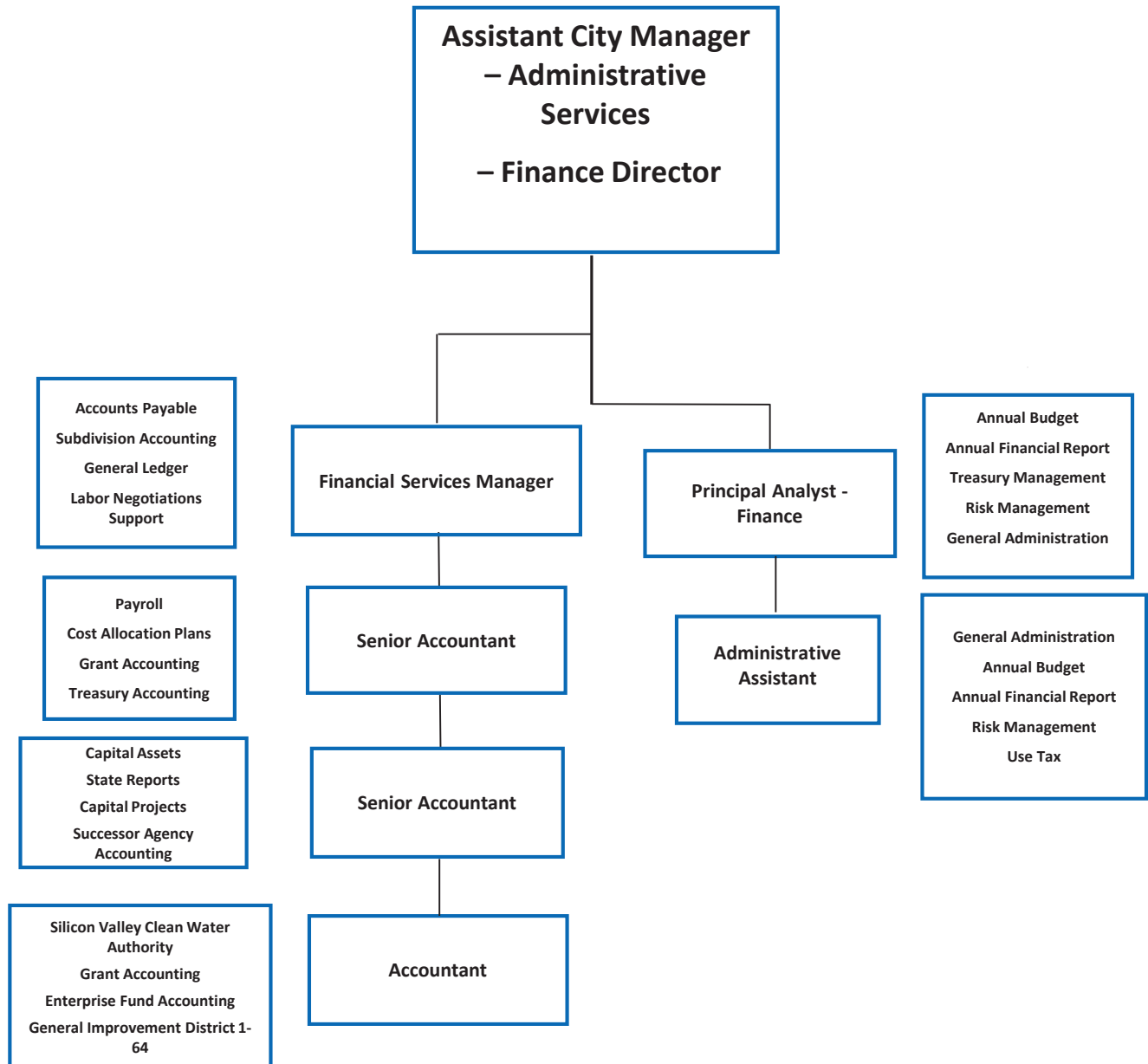
FINANCE DIVISION STAFF

As of June 30, 2018

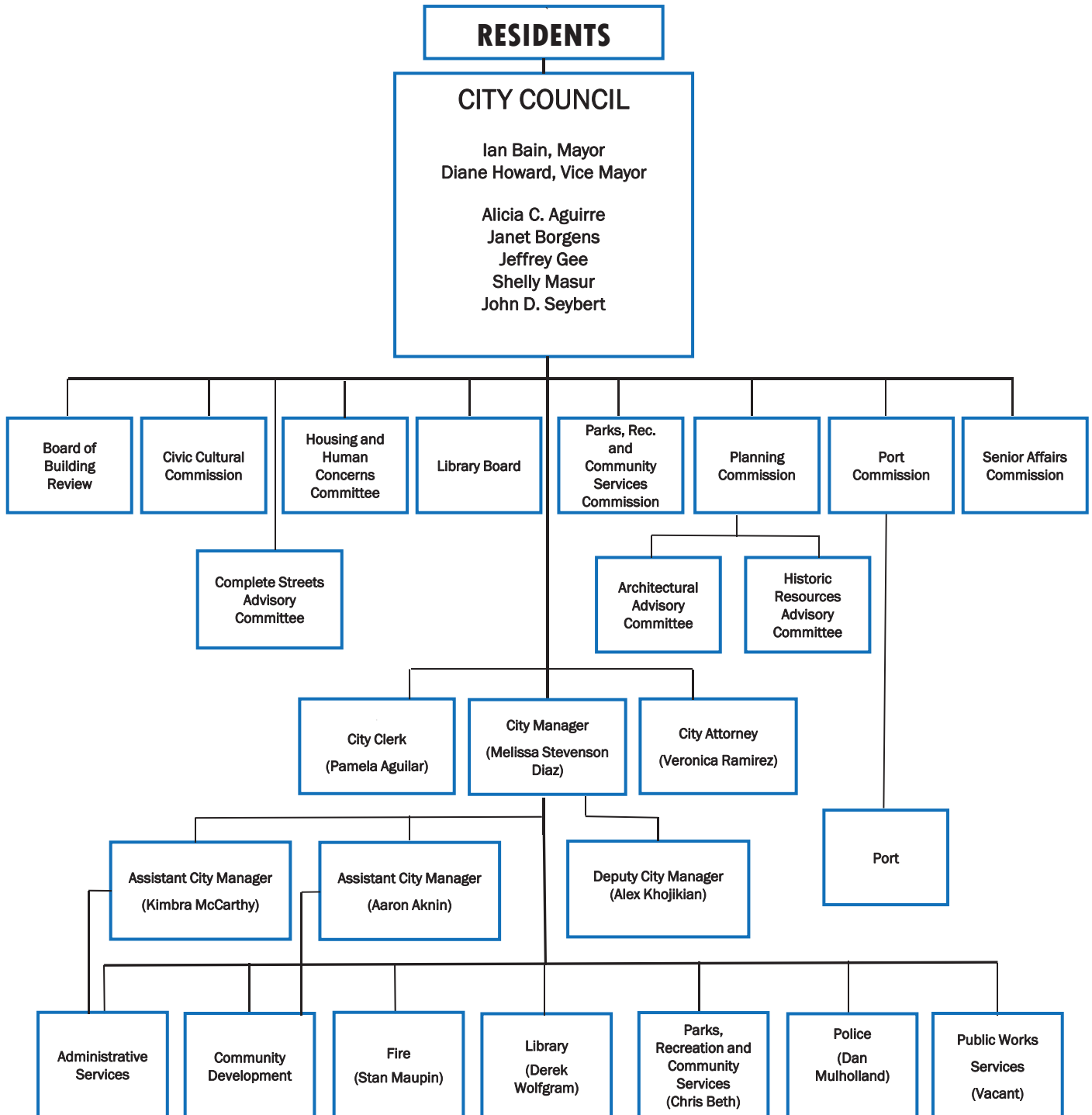
Derek RamponeFinancial Services Manager
Jennifer ChangSenior Accountant
Carolyn KeransSenior Accountant
Sylvia Bravo PetersPrincipal Analyst
Molly FlowerdayAccountant
Gina ClarkAccount Technician
Anna IndyAccount Technician
Christopher ChauAccount Clerk
Lisa Crudo.....Account Clerk
Nancy MurguiaAdministrative Assistant

June 30, 2018

Administrative Services Department Finance Division



2018





CORE PURPOSE

Build a Great Community Together

CORE VALUES

Excellence:

Passion to Do Our Best in Each Moment

Integrity:

Do the Right Thing, Not the Easy Thing

Service:

We Care and It Makes a Difference

Creativity:

Freedom to Imagine and Courage to Act



*City of Redwood City
Comprehensive Annual Financial Report
June 30, 2018*



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the City's investment in the Silicon Valley Clean Water Authority, which represents 32 percent, 35 percent and zero percent, respectively, of the City's assets, net position, and revenues of the Sewer Utility Fund and 10 percent, 14 percent, and zero percent, respectively, of the assets, net position, and revenues of the business-type activities. The City's investment in the Silicon Valley Clean Water Authority was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the City's investment in the Silicon Valley Clean Water Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, and other post-employment benefit plans information on pages 5 to 19 and 93 to 103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

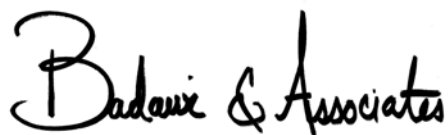
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, general fund comparative statements, general fund comparative budgetary schedules on pages 106 - 109, combining and individual nonmajor fund financial statements, budgetary comparison information for non-major funds, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The general fund comparative statements, comparative budgetary schedules on pages 106 - 109, combining and individual nonmajor fund financial statements, and budgetary comparison information for non-major funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund comparative statements, combining and individual nonmajor fund financial statements, and budgetary comparison information for non-major funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Badawi and Associates
Certified Public Accountants
Oakland, California
December 7, 2018



*City of Redwood City
Comprehensive Annual Financial Report
June 30, 2018*

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FISCAL YEAR 2017-18 FINANCIAL HIGHLIGHTS

During fiscal year 2017-18, the City continued to experience growth in revenues as the local economy continued to grow. Financial highlights of the fiscal year include the following:

- The City's total net position increased \$5.1 million in FY 2017-18, after a \$25.9 million increase in the prior fiscal year. At June 30, 2018, net position totaled \$382.1 million, comprised of \$124.7 million for governmental activities and \$257.4 for business-type activities.
- Total City revenues, including program and general revenues, were \$264.0 million, an increase of \$27.2 million over the prior fiscal year, while total expenses were \$259.0 million, an increase of \$48.1 million from FY 2016-17.
- Net position in governmental activities decreased \$200 thousand, while net position in business-type activities increased \$5.3 million.
- Governmental program revenues were \$57.3 million, which reflects an increase of \$15.1 million over the prior fiscal year.
- Governmental general revenues increased to \$111.4 million in FY 2017-18, up \$8.1 million from the prior fiscal year.
- Governmental program expenses increased to \$162.5 million in FY 2017-18, up \$25.2 million from the prior fiscal year.
- Total revenues from business-type activities increased to \$95.4 million in FY 2017-18, up \$4.0 million from the prior fiscal year.
- Total expenses of business-type activities increased to \$96.5 million in FY 2017-18, a \$22.9 million increase over the prior fiscal year.
- General fund revenues of \$143.1 million increased by \$13.5 million over the prior fiscal year.
- General fund expenditures of \$125.9 million increased by \$13.7 million over the prior fiscal year.
- General fund balance of \$30.2 million at June 30, 2018 decreased by \$2.2 million over the prior fiscal year.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

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

The Basic Financial Statements

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

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

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

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

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

The Government-wide Financial Statements

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

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

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

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

The government-wide financial statements may be found on pages 22-23 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Redwood City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Redwood City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City of Redwood City maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital outlay fund, which meet the criteria to be considered major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The governmental fund financial statements may be found on pages 26 and 29 of this report.

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

The proprietary fund financial statements may be found on pages 32-34 of this report.

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

Comparisons of budget and actual financial information are presented only for the general fund and other major funds that are special revenue funds. For the fiscal year ended June 30, 2018 there were no major special revenue funds.

Fiduciary Funds

The City maintains fiduciary funds that consist of a Private Purpose Trust Fund and Agency Funds. The Private Purpose Trust Fund accounts for the activity of the former Redevelopment Agency of Redwood City, while the Agency Funds account for tax free employee and employer contributions made under the provisions of section 125 of the Internal Revenue Code (cafeteria benefits fund), and for transactions involving the Pacific Shores Community Facilities District, the Shores Transportation Improvement District, the One Marina Community Facilities District, the Community Benefit Improvement District, and Redwood City 2020. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, and the Agency Funds Statement of Changes in Assets and Liabilities. The accounting used for fiduciary funds is much like that used for proprietary funds. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

The fiduciary fund financial statements may be found on pages 35-36 of this report.

Notes to the Financial Statements

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

The Notes to the Financial Statements may be found on pages 37-92 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may, over time, serve as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$382.1 million at June 30, 2018.

City's Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total		Variance
	2018	2017	2018	2017	2018	2017	
	\$	\$	\$	\$	\$	\$	
Cash and investments	168.357	164.549	99.839	99.597	268.196	264.146	1.53%
Other assets	43.154	35.352	40.024	47.532	83.178	82.884	0.35%
Capital assets	199.611	193.154	218.460	203.549	418.071	396.703	5.39%
Total assets	<u>411.122</u>	<u>393.055</u>	<u>358.323</u>	<u>350.678</u>	<u>769.445</u>	<u>743.733</u>	3.46%
Total deferred outflows of resources	<u>54.451</u>	<u>38.554</u>	<u>7.335</u>	<u>6.127</u>	<u>61.786</u>	<u>44.681</u>	38.28%
Long-term debt outstanding	306.831	231.927	91.733	85.633	398.564	317.560	25.51%
Other liabilities	<u>32.378</u>	<u>30.707</u>	<u>16.318</u>	<u>14.058</u>	<u>48.696</u>	<u>44.765</u>	8.78%
Total liabilities	<u>339.209</u>	<u>262.634</u>	<u>108.051</u>	<u>99.691</u>	<u>447.260</u>	<u>362.325</u>	23.44%
Total deferred inflows of resources	<u>1.702</u>	<u>3.779</u>	<u>0.124</u>	<u>0.300</u>	<u>1.826</u>	<u>4.079</u>	-55.23%
Net Position:							
Net investment in capital assets	199.264	192.119	161.939	142.830	361.203	334.949	7.84%
Restricted	64.924	59.815	9.543	6.227	74.467	66.042	12.76%
Unrestricted	<u>(139.527)</u>	<u>(86.738)</u>	<u>86.001</u>	<u>107.757</u>	<u>(53.526)</u>	<u>21.019</u>	-354.66%
Total net position	<u>124.661</u>	<u>165.196</u>	<u>257.483</u>	<u>256.814</u>	<u>382.144</u>	<u>422.010</u>	-9.45%

The largest portion (94.5%) of the City's net position reflects its capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (19.5%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the government's ongoing obligations (although portions of unrestricted net position may, by law or contract, be only used for specified purposes and may not necessarily be used for any general governmental purpose) to residents and creditors. The City's unrestricted net position has a deficit balance of \$53.5 million, which is due to the recording of the City's net pension liability of \$245.6 million and the City's net other postemployment benefits liability of \$58.0 million.

The City's net position decreased by \$39.9 million during the current fiscal year, due to prior period adjustments of \$45.0 million offset by the current fiscal year's positive change in net position of \$5.1 million. The prior period adjustments were related to the implementation of GASB Statement No. 75, requiring the reporting of the unfunded liability of other postemployment benefits (see note 1 of the notes to the Basic Financial Statements).

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

Changes in City's Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total		Variance
	2018	2017	2018	2017	2018	2017	
	\$	\$	\$	\$	\$	\$	
Revenues							
Charges for services:							
Community development	12.452	8.087			12.452	8.087	53.98%
Public safety	10.017	8.216			10.017	8.216	21.92%
Environmental support and protection	1.586	1.541			1.586	1.541	2.92%
Leisure, cultural and information services	3.719	3.534			3.719	3.534	5.23%
Policy development and implementation	4.873	4.906			4.873	4.906	-0.67%
Water			42.990	36.744	42.990	36.744	17.00%
Sewer			37.207	37.069	37.207	37.069	0.37%
Parking			2.692	1.965	2.692	1.965	37.00%
Port of Redwood City			8.627	7.128	8.627	7.128	21.03%
Docktown Marina			0.329	0.693	0.329	0.693	-52.53%
Operating grants and contributions:							
Community development	1.653	2.229			1.653	2.229	-25.84%
Public safety	1.473	1.179			1.473	1.179	24.94%
Transportation	3.781	1.712			3.781	1.712	120.85%
Environmental support and protection	0.043	0.018			0.043	0.018	138.89%
Leisure, cultural and information services	2.900	2.958			2.900	2.958	-1.96%
Policy development and implementation	0.518	0.428			0.518	0.428	21.03%
Water			0.011	0.062	0.011	0.062	-82.26%
Parking			0.002	0.002	0.002	0.002	
Port of Redwood City			0.004	0.004	0.004	0.004	
Capital grants and contributions:							
Community development	1.962	2.385			1.962	2.385	-17.74%
Transportation	6.929	3.031			6.929	3.031	128.60%
Environmental support and protection	0.052	0.023			0.052	0.023	126.09%
Leisure, cultural and information services	5.335	1.566			5.335	1.566	240.68%
Policy development and implementation		0.350				0.350	-100.00%
Water			1.708	1.690	1.708	1.690	1.07%
Sewer			0.276	0.226	0.276	0.226	22.12%
Parking			3.275	4.925	3.275	4.925	-33.50%
General revenues:							
Taxes/special assessments	109.340	101.742	0.331	0.214	109.671	101.956	7.57%
Investment earnings	1.744	1.242	(2.094)	0.606	(0.350)	1.848	-118.94%
Other	0.296	0.332	0.010	0.001	0.306	0.333	-8.11%
Total revenues	<u>168.673</u>	<u>145.479</u>	<u>95.368</u>	<u>91.329</u>	<u>264.041</u>	<u>236.808</u>	11.50%
Expenses							
Community development	15.606	11.283			15.606	11.283	38.31%
Human services	2.083	1.829			2.083	1.829	13.89%
Public safety	81.255	70.532			81.255	70.532	15.20%
Transportation	11.396	15.543			11.396	15.543	-26.68%
Environmental support and protection	3.062	1.919			3.062	1.919	59.56%
Leisure, cultural and information services	29.866	27.414			29.866	27.414	8.94%
Policy development and implementation	19.190	8.710			19.190	8.710	120.32%
Interest on long term debt	0.009	0.063			0.009	0.063	-85.71%
Water			41.469	36.789	41.469	36.789	12.72%
Sewer			29.055	26.676	29.055	26.676	8.92%
Parking			3.387	3.005	3.387	3.005	12.71%
Port of Redwood City			6.899	5.692	6.899	5.692	21.21%
Docktown Marina			15.700	1.408	15.700	1.408	1015.06%
Total expenses	<u>162.467</u>	<u>137.293</u>	<u>96.510</u>	<u>73.570</u>	<u>258.977</u>	<u>210.863</u>	22.82%
Change in net position before transfers	6.206	8.186	(1.142)	17.759	5.064	25.945	-80.48%
Transfers	<u>(6.391)</u>	<u>(2.682)</u>	<u>6.391</u>	<u>2.682</u>			
Change in net position	(0.185)	5.504	5.249	20.441	5.064	25.945	-80.48%
Net position - July 1, as restated	<u>124.846</u>	<u>159.692</u>	<u>252.234</u>	<u>236.373</u>	<u>377.080</u>	<u>396.065</u>	-4.79%
Net position - June 30	<u>124.661</u>	<u>165.196</u>	<u>257.483</u>	<u>256.814</u>	<u>382.144</u>	<u>422.010</u>	-9.45%

GOVERNMENTAL ACTIVITIES

Governmental activities prior to transfers increased the City's net position by \$6.2 million. Including transfers, governmental activities net position decreased \$185 thousand. Transfers out of governmental activities and into business-type activities during FY 2017-18 consisted of the transfer out of the general fund to the Docktown Marina fund of \$6.2 million to cover litigation settlement expenses related to ending residential uses at the marina and a transfer out of the general fund to the water fund in the amount of \$200 thousand to support operations.

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

General governmental revenues (non-program) increased by 7.8%, or \$8.1 million from FY 2016-17, as almost all broad categories of general revenues increased, other than utility users' taxes and other general revenues, which decreased. Within the broad categories, property taxes increased \$5.8 million, sales taxes increased \$407 thousand, franchise taxes increased \$218 thousand, property transfer taxes increased \$91 thousand, business license taxes increased \$49 thousand, utility users' taxes decreased \$146 thousand, transient occupancy taxes increased \$1.0 million, motor vehicle in lieu tax increased \$163 thousand, and investment earnings increased \$502 thousand, and other revenues decreased \$37 thousand.

Community development revenues increased by \$3.4 million due to an increase in building permits issued and related fees. Public safety revenues increased \$2.1 million primarily due to an increase in fees collected as part of the building permit process. Transportation revenues increased by \$6.0 million due to an increase of \$3.9 million in developer contributions and capital grants and an increase of \$2.1 million in operating grants received, including Measure A grant revenues, traffic mitigation fees, and new fees associated with Senate Bill No. 1. Environmental support and protection revenues increased slightly (\$99 thousand) due to an increase in property tax revenues in the various maintenance district funds. Leisure, cultural and information services increased by \$3.9 million primarily due to an increase of \$2.5 million in the receipt of Park Impact Fees and an increase of \$1.3 million in capital grants related to the Magical Bridge Playground. Policy development and implementation revenue decreased \$293 thousand due to the one-time recognition of public, educational, and governmental (PEG) fees of \$350 thousand in FY 2016-17.

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

Total governmental activities expenses were up \$25.2 million, or 18.3%, due to increases in all functions, except transportation. Interest on long-term debt decreased to \$9 thousand. A majority of the increase in expenses was due to the \$9.7 million contribution to the Section 115 pension trust investment account and \$9.6 million increase in pension liability.

Community development expenses increased \$4.3 million primarily due to increases in the building regulation program and capital related expenditures in the capital outlay fund that were not capitalized as fixed assets (for non-capitalized community development project expenditures). Human services expenses increased slightly (\$254 thousand) due to general increases related to supplies and services costs. Public safety expenses increased by \$10.7 million primarily due to an increase of \$6.8 million related to recording the increase in the City's CalPERS retirement obligation. In addition, there were increases in fire operation and prevention costs and a net loss in the internal service funds' in FY 2017-18, which caused an increase of \$2.2 million in public safety expenses. Transportation expenses decreased \$4.1 million due to a reduction of capital related expenditures in the capital outlay fund that were not capitalized as fixed assets (for non-capitalized transportation project expenditures). Environmental

support and protection increased \$1.1 million mostly due to a net loss in the internal service funds' in FY 2017-18, which caused an increase of \$1.0 million in environmental support and protection expenses. Leisure, cultural, and information services increased \$2.5 million primarily due to an increase of \$1.3 million related to recording the increase in the City's CalPERS retirement obligation and a net loss in the internal service funds' in FY 2017-18, which caused an increase of \$772 thousand in leisure, cultural, and information services expenses. Policy development and implementation increased \$10.5 million primarily due to the \$9.7 million contribution to the Section 115 pension trust investment account.

During FY 2017-18 there was a decrease of \$54 thousand in interest expense related to the outstanding 2013 Public Financing Authority Refunding Lease, which will be paid in full in FY 2018-19.

BUSINESS-TYPE ACTIVITIES

Business-type activities prior to transfers decreased the City's net position by \$1.1 million in FY 2017-18.

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

Business-type revenues increased primarily due to the increase in utility rates, the increase in parking revenues received, and an increase in user fee revenues collected at the Port of Redwood City. These increases were offset by a reduction of \$1.6 million in parking in-lieu fees collected.

The water utility's expenses increased by \$4.7 million due to an increase in the usage and rates charged for water by the San Francisco Public Utilities Commission, an increase in employee costs, utility costs, contractual services, supplies and services, and depreciation, offset by decreases in maintenance and insurance and claims expenses.

Sewer utility expenses increased by \$2.4 million due to an increase in payments to SVCWA for wastewater treatment, and debt service reimbursement for SVCWA debt issued for wastewater system capital improvements, as well as an increase in employee costs, utility costs, supplies and services, and depreciation, offset by decreases in maintenance, non-capitalized project costs, and insurance and claims expenses.

The expenses of the parking fund increased by \$382 thousand due to an increase in maintenance, utility costs, and contractual services, offset by decreases in employee services, supplies and services, non-capitalized project costs, depreciation, and insurance and claims expenses.

The expenses of the Port of Redwood City increased by \$1.2 million due to an increase in employee costs, utility costs, contractual services, supplies and services, non-capitalized project costs, and depreciation, offset by decreases in maintenance and insurance and claims expenses.

During fiscal year 2017-18, the Docktown Marina expenses increased by \$14.3 million, primarily due to costs related to ending residential uses of the marina.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

At June 30, 2018, the City's governmental funds reported combined fund balances of \$133.4 million, which reflects an increase of \$3.1 million from the beginning fund balance.

Governmental fund revenues increased \$17.6 million this fiscal year to \$163.3 million. The majority of this increase occurred in the general fund, capital outlay fund, special gas tax street improvement fund, traffic mitigation fees fund, and parks impact and in lieu fee fund, which were offset by decreases in the transportation grants fund, grants fund, and community benefits fund. Expenditures, including capital outlay, increased \$14.1 million this fiscal year to \$150.4 million. A large part of the increase was attributable to the \$13.7 million expenditure increase in the general fund, of which \$8.8 million was the contribution to the Section 115 pension trust investment account, \$1.3 million in community development expenditures, \$2.1 million in public safety expenditures, and \$513 thousand in leisure, cultural, and information services.

The general fund is the primary operating fund of the City. At June 30, 2018, unassigned fund balance of the general fund was \$25.0 million, while total fund balance decreased to \$30.2 million from a beginning restated fund balance of \$32.5 million, as a result of expenditures and transfers out of \$146.1 million exceeding revenues and transfers in of \$143.8 million. Unassigned fund balance decreased \$4.4 million during the current fiscal year, due to the \$8.8 million contribution to the Section 115 pension trust investment account during FY 2017-18. During FY 2016-17, the City Council approved a reduction in the general fund reserve from 20% to 15%, with the excess balance being utilized to set up a Section 115 Trust Account to fund pension expenses. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.9% of total fund expenditures, while total fund balance represents 24.0% of that same amount.

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

General Fund – General fund revenues increased approximately \$13.5 million this fiscal year due to increases in all revenues, except for intergovernmental revenues and contributions. These increases were a result of the continued growth in the local economy. The increase in property taxes of \$5.8 million resulted primarily from an increase in assessed valuations. There was a large increase in revenue received in the general fund from the county for property taxes in the former redevelopment area (downtown). This revenue increased by \$2.2 million in FY 2017-18 to \$6.9 million.

Sales and other taxes increased by \$929 thousand, primarily due to an increase of \$1.0 million in transient occupancy taxes.

Licenses and permits increased by \$3.5 million, an increase of 123% increase, primarily due to an increase in building permit revenue related to increases in building activity, the implementation of fee increases, and the implementation of new development related fees.

Fines, forfeitures, and penalties increased by \$81 thousand, due to an increase in parking citations.

Use of money and property increased by \$212 thousand, due to an increase in right-of-way- rent charged to the water and sewer enterprise funds and rent and concession revenues, offset by a decrease in interest income and a decrease in the change in the fair value of the City's investments.

Intergovernmental revenues increased by \$372 thousand primarily due to the increase in federal, state and county grants.

Charges for current services increased \$3.0 million due to an increase in revenue received from the City of San Carlos for fire services provided, a large increase in the general plan maintenance fee, and implementation of the new geographic information system fee in the general fund.

General fund expenditures increased \$13.7 million over the prior fiscal year. The increase primarily resulted from programmatic changes, including increases in required CalPERS contributions, and the \$8.8 million contribution to the Section 115 pension trust investment account. All expenditure categories had increases from the prior fiscal year, except for transportation, capital outlay, and interest and fiscal charges. The amounts of the increases were as follows: community development (\$1.3 million), human services (\$166 thousand), public safety (\$2.1 million), environmental support and protection (\$135 thousand), leisure, cultural, and information services (\$513 thousand), and policy development and implementation (\$9.7 million). The contribution of \$8.8 million to the Section 115 pension trust investment account was recorded in the policy development and implementation category.

Transfers out of the general fund increased by \$6.0 million in FY 2017-18 primarily due to an increase of \$3.8 million in the transfer to the Docktown Marina fund and \$2.0 million in the transfer to the self-insurance internal service fund to cover increased workers' compensation costs.

Capital Outlay Fund – This fund accounts for resources provided to finance general governmental capital projects. In FY 2017-18, the capital outlay fund generated \$2.6 million in revenue, most of which was from contributions for the Magical Bridge playground and use of money and property (investment income). This fund was also the recipient of \$8.8 million of transfers from the general fund from the Utility Users' Tax, which has been allocated to support the City's infrastructure. Total outlays were \$7.9 million, of which \$3.6 million met the City's criteria for capitalization. The balance (\$4.3 million) was expended on non-capitalized projects in FY 2017-18. Total outlays in the prior fiscal year (FY 2016-17) were \$8.7 million. Of the capital outlay fund's \$32.1 million fund balance, almost all of it was assigned to capital projects.

Proprietary Funds – Enterprise fund net position totaled \$257.5 million at the end of the fiscal year, an increase of \$5.3 million over the prior fiscal year's restated balance of \$252.2 million. Enterprise operating

revenues were \$91.8 million this fiscal year, an increase of \$8.2 million over last fiscal year, while net non-operating revenues (expenses) were a negative \$17.8 million compared to a negative \$2.5 million the prior fiscal year. Net non-operating revenues (expenses) experienced a \$15.3 million increase primarily due to \$13.1 million in costs related to ending residential uses of the Docktown Marina and a decrease in the change in the investment in SVCWA of \$2.7 million (current fiscal year decrease of \$2.6 million versus an increase of \$153 thousand in the prior fiscal year).

Enterprise fund operating expenses were \$80.4 million this fiscal year, an increase of \$10.2 million from the prior fiscal year, due to higher operating expenses in the water utility fund (\$5.1 million), the sewer utility fund (\$2.4 million), the parking fund (\$382 thousand), the port fund (\$1.1 million), and the Docktown Marina fund (\$1.2 million).

Water Utility – The water utility fund realized operating income of \$3.4 million in the current fiscal year, higher than the operating income of \$2.3 million in the prior fiscal year. Operating revenues increased by \$6.2 million, while operating expenses increased by \$5.1 million. After non-operating revenues (expenses), capital contributions, and transfers into the water fund, net position increased by \$4.0 million.

Sewer Utility – The sewer utility fund realized operating income of \$8.2 million in the current fiscal year, lower than the operating income of \$10.4 million in the prior fiscal year. Operating revenues increased by \$139 thousand, while operating expenses increased by \$2.4 million from the prior fiscal year, primarily due to the operating costs of SVCWA. During the current fiscal year, SVCWA issued approximately \$141 million in wastewater revenue bonds. The City's share of the bond issue was approximately \$82.2 million. After non-operating revenues (expenses), capital contributions, and transfers out of the sewer fund, net position increased by \$5.5 million.

Parking Fund – Operating revenues increased by \$727 thousand this fiscal year to \$2.7 million, while operating expenses increased by \$382 thousand from the prior fiscal year to \$3.4 million. After non-operating revenues (expenses), capital contributions, and transfers into the parking fund, net position increased by \$3.0 million.

Port Fund – Operating revenues were up \$1.5 million while operating expenses were up \$1.1 million over FY 2016-17. After non-operating revenues (expenses), net position increased by \$1.9 million.

Docktown Marina – Operating revenues decreased by \$364 thousand while operating expenses increased by \$1.2 million. During FY 2017-18, the general fund transferred \$6.2 million into the Docktown Marina Fund in relation to a litigation settlement agreement to end residential uses at the marina. After non-operating revenues (expenses) and transfers into the Docktown Marina fund, net position decreased by \$9.1 million. In addition, the parking fund and equipment services fund loaned the Docktown Marina fund \$1.7 million and \$6.0 million in FY 2017-18, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

Property taxes exceeded budget by \$586 thousand primarily due to the continued strength of the housing market.

Sales and other taxes were higher than budget by \$223 thousand primarily due to strong transient occupancy tax, franchise tax revenues, and property transfer tax revenues, but were partially offset by lower than expected sales tax and utility users' tax revenues.

Licenses and permits exceeded budget by \$487 thousand due to higher than expected building permit and fire permit fees.

Fines, forfeitures, and penalties exceeded budget by \$160 thousand due to higher than expected parking fines.

Use of money and property revenue was less than budget by \$141 thousand due to lower than expected investment earnings and a temporary decrease in fair value of investments, but were partially offset by greater than expected rents and concessions revenue.

Intergovernmental revenue was less than budget by \$470 thousand, primarily due to lower than expected governmental grants received in the current fiscal year.

Charges for current services were greater than budget by \$1.6 million primarily due to recreation program fees and plan check fees exceeding expectations.

Other revenues exceeded budget by \$242 thousand due to higher than expected miscellaneous revenues and contribution from the Port of Redwood City.

Expenditures, overall, were \$4.6 million less than budgeted primarily due to cost savings and vacancies in a majority of departments. Unexpected shortfalls in general engineering, redevelopment, human services assistance, parks and recreation, and other administrative support services were more than offset by budget savings in all other programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2017-18, the City had \$418.1 million, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in the table below. Additional information on the City's capital assets can be found in Note 4 of this report.

Capital Assets at fiscal Year-end (in Millions)

	Governmental Activities		Business-Type Activities		Total		Variance
	2018	2017	2018	2017	2018	2017	
	\$	\$	\$	\$	\$	\$	
Land	31.963	31.397	3.180	3.180	35.143	34.577	1.64%
Streets	118.154	116.873			118.154	116.873	1.10%
Construction in progress	26.171	21.616	18.338	14.116	44.509	35.732	24.56%
Buildings	83.309	83.309	62.467	62.467	145.776	145.776	0.00%
Equipment	26.278	25.627	1.928	1.709	28.206	27.336	3.18%
Improvements	9.946	9.049	217.961	201.516	227.907	210.565	8.24%
Harbor improvements			4.774	4.774	4.774	4.774	0.00%
Parks, bridges, etc.	41.521	38.703			41.521	38.703	7.28%
Traffic signals	3.371	3.096			3.371	3.096	8.88%
Storm drains	16.408	12.420			16.408	12.420	32.11%
Less accumulated depreciation	<u>(157.509)</u>	<u>(148.936)</u>	<u>(90.188)</u>	<u>(84.213)</u>	<u>(247.697)</u>	<u>(233.149)</u>	6.24%
Total capital assets	<u>199.612</u>	<u>193.154</u>	<u>218.460</u>	<u>203.549</u>	<u>418.072</u>	<u>396.703</u>	5.39%

Governmental Activities – The increase in construction in progress is due to significant expenditures in several ongoing projects such as the 101/84 Highway Interchange, the Red Morton/Armory area renovation, and synthetic turf replacement projects at Marlin and Sandpiper Parks. The increase in the improvements category was due to the completion of the carpet replacement project at the Main Library and upgrades to the audio/video system in the City Council Chambers. The City also accepted developer improvements at several sites contributing to the increase in this category. Parks increased due to the completion of several turf replacement projects and the renovation of Linden Park, Shannon Park, and Spinus Park, as well as acceptance of developer improvements at the One Marina site. The completion of the Bair Island pump station caused the increase in the Storm Drains category. The increase to the Equipment category was a result of the replacement of 12 police vehicles in the Police Department and 3 large dump trucks in the Public Works Services Department.

Business-Type Activities – Increases in the construction in progress category were due to the Distribution System Replacement project in the Water Fund, and the Collection System Replacement project and the Sanitary Sewer Pump Station project in the Sewer Fund. The improvements category increased due to the completion of the FY 2016-17 water main replacement project and the Redwood Shores Potable Water Transmission System Seismic Improvement project in the Water Fund and the completion of the Walnut Street Interceptor Replacement project in the Sewer Fund.

Long-Term Debt

Additional information can be found in Notes 6 and 7 of this report.

Outstanding Debt (in Millions)

	Governmental Activities		Business-Type Activities		Total		Variance
	2018	2017	2018	2017	2018	2017	
	\$	\$	\$	\$	\$	\$	
Revenue bonds			63.886	66.890	63.886	66.890	-4.49%
Refunding lease	0.348	1.035			0.348	1.035	-66.38%
Accrued sick leave and vacation	12.020	11.556	0.961	0.915	12.981	12.471	4.09%
Total long term debt	<u>12.368</u>	<u>12.591</u>	<u>64.847</u>	<u>67.805</u>	<u>77.215</u>	<u>80.396</u>	-3.96%

SPECIAL ASSESSMENT DISTRICT DEBT

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

At June 30, 2018, a total of \$12.4 million in special assessment district debt was outstanding, issued by three special assessment districts. This debt is secured only by special assessments on the real property in the district issuing the debt, and is not the City’s responsibility, although the City does act as these Districts’ agent in the collection and remittance of assessments.

PRIVATE PURPOSE TRUST FUND DEBT

On February 1, 2012, the Redevelopment Agency of the City of Redwood City was dissolved pursuant to California State law, and as of that date, the long-term debt associated with the former Redevelopment Agency was transferred to a private purpose trust fund for the Successor Agency. At June 30, 2018, the Successor Agency had tax allocation bonds outstanding in the amount of \$52.6 million, including principal and interest.

ECONOMIC OUTLOOK AND NEXT FISCAL YEAR’S BUDGET

Redwood City, like many cities, relies heavily upon property taxes and sales taxes to finance general governmental activities. In FY 2017-18, these two revenue streams accounted for approximately 41% and 16% of general fund revenues respectively. In FY 2017-18, the City continued to experience significant gains in property tax revenue, with an increase of 11.0% in the general fund. The increase in property tax revenue is attributed to the turnover of real estate properties and booming housing market. General fund sales tax revenue decreased by 0.8%, continuing a trend from the prior fiscal year. The decrease in sales tax revenue reflects a change in consumer spending habits, where online purchasing is growing and consumers are spending more on non-taxable “experiences” rather than material goods. Notably, lower sales tax revenue in the general fund is due to statewide sales tax return processing delays by the California Department of Tax and Fee Administration (CDTFA). For the City to recognize revenue in FY 2017-18, the revenue is required to be received within 60 days of year-end (June 30th). As a result, any

final sales tax receipts that were received after the 60-day requirement will be recorded in FY 2018-19. If the City were to accrue the late sales tax payments for FY 2017-18, actual sales tax revenue for all funds of the City would be 1.6 percent higher than the prior fiscal year. Additionally, the City Council placed a half-cent sales tax increase on the November 2018 ballot, which was passed by the voters and will be implemented in April 2019. This additional sales tax revenue will contribute towards the long-term fiscal sustainability of the City, along with other measured steps the City has implemented to address escalating pension costs and other funding commitments.

The adopted FY 2018-19 general fund budget projects a surplus of \$300 thousand, and relies on ongoing revenue to fund ongoing expenses, uses one-time revenue for one-time expenses, and maintains a prudent general fund reserve of 15%. For the foreseeable future, the City's pension contributions are estimated to increase annually due to changes in actuarial assumptions and investment methodologies made by the California Public Employees Retirement System. Moreover, it is unknown when another recession will occur, but certain factors point to a slowing of the economy over the next few years. These factors will be taken into consideration when developing the FY 2019-20 budget and the 10-Year General Fund Forecast.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Finance Division, at 1017 Middlefield Road, Redwood City, CA 94063.



*City of Redwood City
Comprehensive Annual Financial Report
June 30, 2018*

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

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

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

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

CITY OF REDWOOD CITY, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities \$	Business-Type Activities \$	Total \$
ASSETS			
Cash and investments available for operations	164,128,236	90,039,249	254,167,485
Cash and investments, restricted	4,229,155	9,799,249	14,028,404
Receivables (net of allowance for uncollectibles)			
Taxes and assessments - current	6,730,420		6,730,420
Accounts	2,283,956	7,336,458	9,620,414
Loans	10,141,247		10,141,247
Accrued interest	2,519,671	4	2,519,675
Due from other governmental agencies	7,337,530	1,434,042	8,771,572
Internal balances	7,500,000	(7,500,000)	
Advances to RDA successor agency			
Inventory of supplies at cost	127,429		127,429
Deposits	610,000	10,360	620,360
Prepaid items and other assets	161,720	359,516	521,236
Land held for redevelopment	5,741,208	709,180	6,450,388
Investment in sewer authority		37,275,076	37,275,076
Investment in sewer capacity rights		400,000	400,000
Capital assets:			
Nondepreciable	58,134,335	21,518,484	79,652,819
Depreciable buildings, property, equipment and infrastructure, net	141,477,243	196,941,858	338,419,101
Total assets	<u>411,122,150</u>	<u>358,323,476</u>	<u>769,445,626</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refundings		1,587,554	1,587,554
Deferred outflows - pension	31,552,572	3,399,941	34,952,513
Deferred pension contributions	16,678,407	1,730,256	18,408,663
Deferred OPEB contributions	6,219,766	616,939	6,836,705
Total deferred outflows of resources	<u>54,450,745</u>	<u>7,334,690</u>	<u>61,785,435</u>
LIABILITIES			
Accounts payable	8,844,867	8,539,924	17,384,791
Accrued interest payable	2,624	877,978	880,602
Accrued payroll	2,787,816		2,787,816
Deposits payable	9,008,700	1,382,828	10,391,528
Unearned revenue	6,267,591	2,213,595	8,481,186
Insurance claims payable:			
Due in one year	4,674,166		4,674,166
Due in more than one year	21,872,517		21,872,517
Accrued sick leave and vacation:			
Due in one year	444,477	477,802	922,279
Due in more than one year	11,575,923	482,965	12,058,888
Net OPEB Liability	52,211,718	5,782,186	57,993,904
Net Pension liability	221,171,142	24,407,592	245,578,734
Long-Term Debt:			
Due in one year	347,486	2,825,605	3,173,091
Due in more than one year		61,060,794	61,060,794
Total liabilities	<u>339,209,027</u>	<u>108,051,269</u>	<u>447,260,296</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	1,181,789	15,444	1,197,233
Deferred inflows - OPEB	520,589	108,449	629,038
Total deferred inflows of resources	<u>1,702,378</u>	<u>123,893</u>	<u>1,826,271</u>
NET POSITION			
Net investment in capital assets	<u>199,264,092</u>	<u>161,938,470</u>	<u>361,202,562</u>
Restricted for:			
Capital projects	11,015,307	8,709,361	19,724,668
Transportation	10,651,098		10,651,098
Environmental support	4,052,332		4,052,332
Leisure, cultural, and information services	22,052,009		22,052,009
Debt service		833,822	833,822
Community development projects	13,515,117		13,515,117
Public safety	372,346		372,346
Housing purposes	2,146,808		2,146,808
Other purposes	1,118,953		1,118,953
Total restricted	<u>64,923,970</u>	<u>9,543,183</u>	<u>74,467,153</u>
Unrestricted	<u>(139,526,572)</u>	<u>86,001,351</u>	<u>(53,525,221)</u>
Total net position	<u>124,661,490</u>	<u>257,483,004</u>	<u>382,144,494</u>

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
	\$	\$	\$	\$	\$	\$
Governmental Activities:						
Community development	15,606,312	12,452,093	1,653,299	1,962,017	461,097	461,097
Human services	2,082,688				(2,082,688)	(2,082,688)
Public safety	81,254,909	10,016,793	1,472,523		(69,765,593)	(69,765,593)
Transportation	11,395,963		3,781,352	6,929,266	(685,345)	(685,345)
Environmental support and protection	3,061,832	1,585,832	43,078	52,373	(1,380,549)	(1,380,549)
Leisure, cultural and information services	29,865,949	3,718,902	2,900,364	5,334,546	(17,912,137)	(17,912,137)
Policy development and implementation	19,190,179	4,872,753	517,634		(13,799,792)	(13,799,792)
Interest on long term debt	8,655				(8,655)	(8,655)
Total Governmental Activities	162,466,487	32,646,373	10,368,250	14,278,202	(105,173,662)	(105,173,662)
Business-Type Activities:						
Water Utility Fund	41,468,907	42,990,320	10,985	1,707,892		3,240,290
Sewer Utility Fund	29,054,577	37,207,391		275,852		8,428,666
Parking Fund	3,386,730	2,691,838	1,768	3,275,053		2,581,929
Port of Redwood City	6,899,536	8,627,231	3,369			1,731,064
Docktown Marina	15,700,537	329,112				(15,371,425)
Total Business-Type Activities	96,510,287	91,845,892	16,122	5,258,797		610,524
Total	258,976,774	124,492,265	10,384,372	19,536,999	(105,173,662)	610,524
General revenues:						
Taxes:						
Property taxes					58,400,498	331,225
Sales taxes					25,233,175	
Franchise taxes					4,539,418	
Property transfer taxes					900,378	
Business license taxes					2,631,212	
Utility users taxes					9,682,070	
Transient occupancy taxes					7,585,592	
Motor vehicle in lieu tax					368,077	
Investment Earnings					1,743,818	(2,094,124)
Other					295,538	10,436
Transfers					(6,390,848)	6,390,848
Total general revenues and transfers					104,988,928	4,638,385
Change in Net Position					(184,734)	5,248,909
Net position-Beginning					124,846,224	252,234,095
Net position-Ending					124,661,490	257,483,004

See accompanying notes to financial statements



*City of Redwood City
Comprehensive Annual Financial Report
June 30, 2018*

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between fund types. The governmental funds described below were determined to be major funds by the City in FY 2017-18.

GENERAL FUND

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

CAPITAL OUTLAY FUND

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

CITY OF REDWOOD CITY, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund \$	Capital Outlay Fund \$	Non-Major Governmental Funds \$	Total Governmental Funds \$
ASSETS				
Cash and investments available for operations	38,451,592	32,465,197	53,926,009	124,842,798
Cash and investments, restricted			4,229,155	4,229,155
Receivables (net of allowance for uncollectibles)				
Taxes and assessments - current	6,425,053		305,367	6,730,420
Accounts	2,267,125		8,179	2,275,304
Loans	906,345	214,286	9,020,616	10,141,247
Accrued interest	932,158	362,050	1,211,330	2,505,538
Due from other governmental agencies	3,472,266		3,585,513	7,057,779
Due from other funds	910,000	967,343		1,877,343
Advances to RDA successor agency				
Prepaid items	49,862	58,630		108,492
Land held for redevelopment			5,741,208	5,741,208
Total Assets	53,414,401	34,067,506	78,027,377	165,509,284
LIABILITIES				
Accounts payable	4,427,560	1,151,489	2,754,935	8,333,984
Accrued payroll	2,787,816			2,787,816
Deposits payable	8,394,594	773,910	(159,804)	9,008,700
Due to other funds	967,343		910,000	1,877,343
Unearned revenue	6,225,138		42,453	6,267,591
Accrued sick leave and vacation	13,104		2,184	15,288
Total Liabilities	22,815,555	1,925,399	3,549,768	28,290,722
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	389,128		3,390,343	3,779,471
Total Deferred Inflows of Resources	389,128		3,390,343	3,779,471
FUND BALANCES				
Nonspendable:				
Loans	906,345			906,345
Land held for redevelopment			5,741,208	5,741,208
Prepaid items	49,862	58,630		108,492
Restricted for:				
Community development			9,735,646	9,735,646
Public safety			372,346	372,346
Transportation			10,651,098	10,651,098
Environmental support and protection			4,052,332	4,052,332
Leisure, cultural and information services			22,052,009	22,052,009
Capital projects			11,015,307	11,015,307
Housing purposes			2,146,808	2,146,808
Other purposes	1,118,953			1,118,953
Committed to:				
General plan	2,078,791			2,078,791
Capital projects				
Community benefits			2,692,484	2,692,484
Human services financial assistance			622,908	622,908
Debt service				
Housing purposes			2,008,142	2,008,142
Assigned to:				
Capital projects		32,083,477		32,083,477
Other purposes	1,036,150			1,036,150
Unassigned:	25,019,617		(3,022)	25,016,595
TOTAL FUND BALANCES	30,209,718	32,142,107	71,087,266	133,439,091
Total Liabilities, Deferred Inflows of Resources and Fund Balances	53,414,401	34,067,506	78,027,377	165,509,284

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA
RECONCILIATION OF THE
GOVERNMENTAL FUNDS - BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
JUNE 30, 2018

	\$
TOTAL FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS	133,439,091
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following</p>	
CAPITAL ASSETS	
<p>Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.</p>	
Capital assets, net of Internal Service Fund of \$8,519,713	190,541,965
ALLOCATION OF INTERNAL SERVICE FUND NET POSITION	
<p>Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The assets and liabilities of the Internal Service Funds are therefore included in Governmental Activities in the Statement of Net Position</p>	
	8,945,836
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
<p>The amounts below are revenues in the statement of activities that do not provide current financial resources and therefore are not reported as revenues in the Governmental Funds</p>	
Interest revenue	3,779,471
LONG TERM ASSETS AND LIABILITIES	
<p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Governmental Funds</p>	
Long-term debt	(347,486)
Interest payable	(2,624)
Accrued sick leave and vacation, net of Internal Service Fund of \$1,011,176	(10,934,502)
Net OPEB obligation, net of Internal Service Fund of \$491,322	(47,274,941)
Net Pension liability, net of Internal Service Fund of \$17,596,466	(201,602,407)
DEFERRED OUTFLOWS OF RESOURCES - Deferred employer pension and OPEB contributions, net of Internal Service Fund of \$1,336,335	20,934,726
DEFERRED OUTFLOWS OF RESOURCES - Pension and OPEB, net of Internal Service Fund of \$2,282,989	28,835,516
DEFERRED INFLOWS OF RESOURCES - Pension and OPEB, net of Internal Service Fund of \$416,947	(1,653,155)
NET POSITION OF GOVERNMENTAL ACTIVITIES	124,661,490

See accompanying notes to financial statements

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

	General Fund \$	Capital Outlay Fund \$	Non-Major Governmental Funds \$	Total Governmental Funds \$
REVENUES				
Property taxes/special assessments	58,217,554		1,585,832	59,803,386
Sales and other taxes	44,895,740		10,987	44,906,727
Licenses and permits	6,263,392	12,467	3,556,983	9,832,842
Fines, forfeitures and penalties	903,204		155,800	1,059,004
Use of money and property	4,894,111	563,155	1,055,762	6,513,028
Intergovernmental	5,701,999	52,373	8,299,501	14,053,873
Charges for current services	21,113,375		2,285,712	23,399,087
Contributions		1,941,889	460,900	2,402,789
Other	1,145,725		144,079	1,289,804
Total Revenues	143,135,100	2,569,884	17,555,556	163,260,540
EXPENDITURES				
Current Operations:				
Community development	10,365,246	2,514,704	1,839,468	14,719,418
Human services	1,774,314		100,000	1,874,314
Public safety	69,987,236	271,318	37,575	70,296,129
Transportation	1,188,816	730,060	4,554,726	6,473,602
Environmental support and protection	442,197	206,597	1,530,613	2,179,407
Leisure, cultural and information services	24,469,816	127,387	386,229	24,983,432
Policy development and implementation	17,582,725	454,528	313,589	18,350,842
Capital outlay	48,193	3,634,723	7,157,729	10,840,645
Debt service:				
Principal retirement			687,180	687,180
Interest and fiscal charges	688		13,154	13,842
Total Expenditures	125,859,231	7,939,317	16,620,263	150,418,811
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,275,869	(5,369,433)	935,293	12,841,729
OTHER FINANCING SOURCES (USES)				
Transfers in	712,091	8,837,177	2,296,291	11,845,559
Transfers (out)	(20,278,990)	(916,374)	(391,242)	(21,586,606)
Total Other Financing Sources (Uses)	(19,566,899)	7,920,803	1,905,049	(9,741,047)
NET CHANGE IN FUND BALANCES	(2,291,030)	2,551,370	2,840,342	3,100,682
Fund balances - beginning	32,500,748	29,590,737	68,246,924	130,338,409
Fund balances - ending	<u>30,209,718</u>	<u>32,142,107</u>	<u>71,087,266</u>	<u>133,439,091</u>

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA
RECONCILIATION OF THE
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
WITH THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

	\$
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	3,100,682
Amounts reported for governmental activities in the Statement of Activities are different because of the following	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital acquisitions as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital acquisitions expenditures are therefore added back to fund balance	10,607,196
Donated capital assets do not provide current financial resources and therefore not recorded in the Governmental Fund	2,949,528
Depreciation expense is deducted from the fund balance	
(Depreciation expense is net of internal service fund depreciation of \$1,310,890 which has already been allocated to serviced funds.)	(8,202,708)
Loss on sale of capital assets	(6,483)
LONG TERM DEBT PROCEEDS AND PAYMENTS	
Repayment of debt principal is added back to fund balance	687,180
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change)	
Change in compensated absences	(428,133)
Change in interest payable	5,187
Interest receivable and intergovernmental revenue	2,735,334
Deferred OPEB contributions	5,631,668
OPEB expense	(5,083,264)
Deferred pension contributions	15,303,058
Pension expense	(28,233,552)
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities	
Change in Net Position - All Internal Service Funds	749,573
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	(184,734)



*City of Redwood City
Comprehensive Annual Financial Report
June 30, 2018*

PROPRIETARY FUND FINANCIAL STATEMENTS

ENTERPRISE FUNDS

WATER UTILITY FUND

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

SEWER UTILITY FUND

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

PARKING FUND

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

PORT OF REDWOOD CITY (PORT FUND)

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

DOCKTOWN MARINA

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

INTERNAL SERVICE FUNDS

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

CITY OF REDWOOD CITY, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Business-Type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Water Utility Fund	Sewer Utility Fund	Parking Fund	Port of Redwood City	Non-Major Docktown Marina		
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Current assets:							
Cash and investments available for operations	32,947,585	35,619,844	6,211,013	12,572,821	2,687,986	90,039,249	39,285,438
Receivables (net of allowance for uncollectibles)							
Accounts	3,598,556	1,760,706	326,891	1,622,710	27,595	7,336,458	8,652
Accrued interest	4					4	14,133
Due from other governmental agencies		1,434,042				1,434,042	279,751
Due from other funds							300,000
Inventory of supplies at cost							127,429
Deposits	10,360					10,360	610,000
Prepaid items and other assets	24,498	9,704	6,205	319,109		359,516	53,228
Total current assets	<u>36,581,003</u>	<u>38,824,296</u>	<u>6,544,109</u>	<u>14,514,640</u>	<u>2,715,581</u>	<u>99,179,629</u>	<u>40,678,631</u>
Noncurrent assets:							
Cash and investments, restricted	17,560		8,709,361	1,072,328		9,799,249	
Advances to other funds			1,700,000			1,700,000	7,200,000
Investment in sewer authority		37,275,076				37,275,076	
Investment in sewer capacity rights				400,000		400,000	
Investment in property held for redevelopment					709,180	709,180	
Capital assets:							
Nondepreciable	3,604,613	9,982,770	2,402,275	5,528,826		21,518,484	575,463
Depreciable buildings, property, equipment and infrastructure, net	110,713,705	29,867,305	21,532,644	34,779,816	48,388	196,941,858	8,494,150
Total noncurrent assets	<u>114,335,878</u>	<u>77,125,151</u>	<u>34,344,280</u>	<u>41,780,970</u>	<u>757,568</u>	<u>268,343,847</u>	<u>16,269,613</u>
Total assets	<u>150,916,881</u>	<u>115,949,447</u>	<u>40,888,389</u>	<u>56,295,610</u>	<u>3,473,149</u>	<u>367,523,476</u>	<u>56,948,244</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refundings	1,373,221			214,333		1,587,554	
Deferred outflows - pension	1,652,243	834,301	382,478	455,073	75,846	3,399,941	2,717,056
Deferred employer pension contributions	836,350	422,316	202,844	230,354	38,392	1,730,256	1,375,349
Deferred employer OPEB contributions	347,668	178,957	84,014	6,300		616,939	588,098
Total deferred outflows of resources	<u>4,209,482</u>	<u>1,435,574</u>	<u>669,336</u>	<u>906,060</u>	<u>114,238</u>	<u>7,334,690</u>	<u>4,680,503</u>
LIABILITIES							
Current liabilities:							
Accounts payable	5,199,754	1,990,870	356,854	940,040	52,406	8,539,924	510,883
Deposits payable	1,047,099		20,310	297,524	17,895	1,382,828	
Due to other funds	300,000					300,000	
Insurance claims payable - current portion							4,674,166
Accrued sick leave and vacation - current portion	223,293	101,608	54,096	96,524	2,281	477,802	429,189
Revenue bonds payable - current portion	2,000,000			825,605		2,825,605	
Unearned revenue	1,956,324		81,886	175,385		2,213,595	
Accrued interest payable	833,201			44,777		877,978	
Total current liabilities	<u>11,559,671</u>	<u>2,092,478</u>	<u>513,146</u>	<u>2,379,855</u>	<u>72,582</u>	<u>16,617,732</u>	<u>5,614,238</u>
Noncurrent liabilities:							
Insurance claims payable							21,872,517
Accrued sick leave and vacation	263,434	108,036	111,491		4	482,965	641,421
Advances from other funds	1,200,000				7,700,000	8,900,000	
Net OPEB Liability	2,918,489	1,502,248	705,254	656,195		5,782,186	4,936,777
Net Pension liability	11,899,760	6,008,790	2,675,266	3,277,522	546,254	24,407,592	19,568,735
Revenue bonds payable	48,262,455			12,798,339		61,060,794	
Total noncurrent liabilities	<u>64,544,138</u>	<u>7,619,074</u>	<u>3,492,011</u>	<u>16,732,056</u>	<u>8,246,258</u>	<u>100,633,537</u>	<u>47,019,450</u>
Total liabilities	<u>76,103,809</u>	<u>9,711,552</u>	<u>4,005,157</u>	<u>19,111,911</u>	<u>8,318,840</u>	<u>117,251,269</u>	<u>52,633,688</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows - OPEB	29,100	14,978	7,032	57,339		108,449	49,223
Deferred inflows - pension			15,444			15,444	
Total deferred inflows of resources	<u>29,100</u>	<u>14,978</u>	<u>22,476</u>	<u>57,339</u>		<u>123,893</u>	<u>49,223</u>
NET POSITION							
Net investment in capital assets	65,429,084	39,850,075	23,934,919	32,676,004	48,388	161,938,470	9,069,613
Restricted for capital projects			8,709,361			8,709,361	
Restricted for debt service				833,822		833,822	
Unrestricted	<u>13,564,370</u>	<u>67,808,416</u>	<u>4,885,812</u>	<u>4,522,594</u>	<u>(4,779,841)</u>	<u>86,001,351</u>	<u>(123,777)</u>
Total net position	<u>78,993,454</u>	<u>107,658,491</u>	<u>37,530,092</u>	<u>38,032,420</u>	<u>(4,731,453)</u>	<u>257,483,004</u>	<u>8,945,836</u>

See accompanying notes to financial statements

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

	Business-Type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds	
	Water Utility Fund	Sewer Utility Fund	Parking Fund	Port of Redwood City	Non-Major Docktown Marina		Totals
	\$	\$	\$	\$	\$	\$	
Operating Revenues:							
Charges for services	42,990,320	37,207,391	2,691,838	8,627,231	329,112	91,845,892	33,435,735
Total Operating Revenues	<u>42,990,320</u>	<u>37,207,391</u>	<u>2,691,838</u>	<u>8,627,231</u>	<u>329,112</u>	<u>91,845,892</u>	<u>33,435,735</u>
Operating Expenses:							
Employee services	5,733,203	3,057,916	1,053,898	2,493,566	308,267	12,646,850	17,759,535
Maintenance	1,123,618	608,719	106,042	172,040	8,201	2,018,620	837,326
Water purchases	20,063,818					20,063,818	
Utilities	1,017,510	771,821	138,362	247,469	65,707	2,240,869	48,266
Contractual services	1,302,488	18,639,091	1,151,409	390,372	790,092	22,273,452	1,383,998
Supplies and services	5,441,900	3,262,504	262,831	607,565	283,751	9,858,551	4,993,961
Noncapitalized projects	2,827	1,433,166		50,107	1,035,201	2,521,301	
Depreciation and amortization	3,105,436	720,872	549,499	1,566,781	32,258	5,974,846	1,385,362
Insurance and claims	1,787,141	560,488	124,689	284,676	45,308	2,802,302	9,940,668
Total Operating Expenses	<u>39,577,941</u>	<u>29,054,577</u>	<u>3,386,730</u>	<u>5,812,576</u>	<u>2,568,785</u>	<u>80,400,609</u>	<u>36,349,116</u>
Operating Income (Loss)	<u>3,412,379</u>	<u>8,152,814</u>	<u>(694,892)</u>	<u>2,814,655</u>	<u>(2,239,673)</u>	<u>11,445,283</u>	<u>(2,913,381)</u>
Nonoperating Revenues (Expenses):							
Impairment loss on property					(13,131,752)	(13,131,752)	(104,060)
Property taxes			331,225			331,225	
Grant revenue	10,985		1,768	3,369		16,122	
Investment earnings	40,813	165,114	79,602	190,440	18,013	493,982	294,523
Interest expense	(1,890,966)			(569,536)		(2,460,502)	
Increase (decrease) in investment in sewer authority		(2,588,106)				(2,588,106)	
Insurance recovery	10,436					10,436	4,491
Contributions							
Other				(517,424)		(517,424)	
Net Nonoperating Revenues (Expenses)	<u>(1,828,732)</u>	<u>(2,422,992)</u>	<u>412,595</u>	<u>(893,151)</u>	<u>(13,113,739)</u>	<u>(17,846,019)</u>	<u>194,954</u>
Net Income (Loss) Before Capital Contributions and Transfers	<u>1,583,647</u>	<u>5,729,822</u>	<u>(282,297)</u>	<u>1,921,504</u>	<u>(15,353,412)</u>	<u>(6,400,736)</u>	<u>(2,718,427)</u>
Capital contributions	1,707,892	275,852	3,275,053			5,258,797	117,801
Transfers in	717,837				6,210,465	6,928,302	3,352,690
Transfers (out)		(537,454)				(537,454)	(2,491)
Total Capital Contributions and Transfers	<u>2,425,729</u>	<u>(261,602)</u>	<u>3,275,053</u>		<u>6,210,465</u>	<u>11,649,645</u>	<u>3,468,000</u>
Change in net position	<u>4,009,376</u>	<u>5,468,220</u>	<u>2,992,756</u>	<u>1,921,504</u>	<u>(9,142,947)</u>	<u>5,248,909</u>	<u>749,573</u>
Total net position-beginning	<u>74,984,078</u>	<u>102,190,271</u>	<u>34,537,336</u>	<u>36,110,916</u>	<u>4,411,494</u>	<u>252,234,095</u>	<u>8,196,263</u>
Total net position-ending	<u>78,993,454</u>	<u>107,658,491</u>	<u>37,530,092</u>	<u>38,032,420</u>	<u>(4,731,453)</u>	<u>257,483,004</u>	<u>8,945,836</u>

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Water Utility Fund	Sewer Utility Fund	Parking Fund	Port of Redwood City	Non-Major Docktown Marina	Totals	Governmental Activities - Internal Service Funds
	\$	\$	\$	\$	\$	\$	\$
Cash flows from operating activities:							
Cash received from customers	43,599,748	37,632,722	2,473,269	7,796,628	345,393	91,847,760	
Cash received from interfund services provided							33,490,843
Cash payments to suppliers for goods and services	(28,878,774)	(24,629,048)	(2,404,856)	(1,575,310)	(2,311,314)	(59,799,302)	(14,574,766)
Cash payments to employees for services	(4,360,625)	(2,106,269)	(1,251,294)	(1,606,316)	(173,546)	(9,498,050)	(16,675,130)
Right of way compensation							
Net cash provided by (used in) operating activities	10,360,349	10,897,405	(1,182,881)	4,615,002	(2,139,467)	22,550,408	2,240,947
Cash flows from noncapital financing activities:							
Nonoperating grant revenue	10,985		1,768	3,369		16,122	
Insurance recovery	10,436					10,436	4,491
Property taxes			331,225			331,225	
Transfers in	717,837				6,210,465	6,928,302	3,352,690
Transfers out		(537,454)				(537,454)	(2,491)
Advances from other funds	(300,000)		(1,700,000)		7,700,000	5,700,000	(5,700,000)
Other				(427,459)		(427,459)	
Net cash provided by (used in) noncapital financing activities	439,258	(537,454)	(1,367,007)	(424,090)	13,910,465	12,021,172	(2,345,310)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(6,446,949)	(6,689,045)	(456,943)	(7,293,245)		(20,886,182)	(2,039,321)
Acquisition of property held for redevelopment					(13,843,430)	(13,843,430)	
Contributions	1,707,892	275,852	3,275,053			5,258,797	117,801
Proceeds from long-term obligations							
Principal retirements	(2,206,055)			(798,483)		(3,004,538)	
Interest paid	(1,801,338)			(549,849)		(2,351,187)	
Proceeds from sale of property					2,498	2,498	
Net cash used in capital and related financing activities	(8,746,450)	(6,413,193)	2,818,110	(8,641,577)	(13,840,932)	(34,824,042)	(1,921,520)
Cash flows from investing activities:							
Interest on investments	40,816	165,114	79,602	190,440	18,013	493,985	288,602
Net cash provided by investing activities	40,816	165,114	79,602	190,440	18,013	493,985	288,602
Net increase (decrease) in cash and cash equivalents	2,093,973	4,111,872	347,824	(4,260,225)	(2,051,921)	241,523	(1,737,281)
Cash and cash equivalents at beginning of year	30,871,172	31,507,972	14,572,550	17,905,374	4,739,907	99,596,975	41,022,719
Cash and cash equivalents at end of year	32,965,145	35,619,844	14,920,374	13,645,149	2,687,986	99,838,498	39,285,438
Financial statement presentation:							
Cash and investments available for operations	32,947,585	35,619,844	6,211,013	12,572,821	2,687,986	90,039,249	39,285,438
Cash and investments, restricted	17,560		8,709,361	1,072,328		9,799,249	
Cash and cash equivalents at end of year	32,965,145	35,619,844	14,920,374	13,645,149	2,687,986	99,838,498	39,285,438
Reconciliation of Net Cash Flow from Operating Activities							
Operating income (loss)	3,412,379	8,152,814	(694,892)	2,814,655	(2,239,673)	11,445,283	(2,913,381)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	3,105,436	720,872	549,499	1,566,788	32,258	5,974,853	1,385,362
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	(192,154)	106,146	(223,879)	(830,603)	41,558	(1,098,932)	53,006
Decrease (increase) in due from other governmental agencies	732,858	319,185				1,052,043	2,102
Decrease (increase) in inventory/prepaid expenses/deposits	24,303	2,887	(6,205)	(47,361)		(26,376)	(63,081)
Decrease (increase) in deferred employer pension contributions	(42,427)	(17,897)	40,729	(31,959)	(5,305)	(56,859)	(39,014)
Decrease (increase) in other pension deferred outflows	(324,653)	(135,254)	(59,031)	(105,519)	(4,780)	(629,237)	(434,067)
Decrease (increase) in deferred employer OPEB contributions	(33,972)	(17,487)	(8,209)	2,100		(57,568)	(57,464)
Increase (decrease) in vacation & sick leave payable	(4,136)	12,622	19,705		2,285	30,476	59,433
Increase (decrease) in accounts payable	1,836,225	643,854	(615,318)	140,628	(83,054)	1,922,335	(83,656)
Increase (decrease) in customer deposits	68,724		5,310	132,938	(25,277)	181,695	
Increase (decrease) in unearned revenue				53		53	
Increase (decrease) in net pension liability	1,922,292	1,174,802	(149,762)	994,818	147,617	4,089,767	1,972,269
Increase (decrease) in other pension deferred inflows	(144,642)	(65,198)	(40,856)	(36,989)	(5,096)	(292,781)	(416,947)
Increase (decrease) in net OPEB liability	(28,984)	(14,919)	(7,004)	(41,886)		(92,793)	(49,028)
Increase (decrease) in other OPEB deferred inflows	29,100	14,978	7,032	57,339		108,449	49,223
Increase (decrease) in insurance claims payable							2,776,190
Total adjustments	6,947,970	2,744,591	(487,989)	1,800,347	100,206	11,105,125	5,154,328
Net cash provided by (used in) operating activities	10,360,349	10,897,405	(1,182,881)	4,615,002	(2,139,467)	22,550,408	2,240,947
Noncash investing, capital and financing activities:							
Noncash capital contributions	207,190	23,046				230,236	
Gain (loss) on disposal of equipment							(104,060)
Increase (decrease) in investment in sewer authority		(2,588,106)				(2,588,106)	
Impairment loss on property held for redevelopment					(13,131,752)		

See accompanying notes to financial statements

CITY OF REDWOOD CITY
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Successor Agency Private Purpose Trust Fund	Section 115 Trust Fund	Agency Funds
	\$	\$	\$
ASSETS			
Cash and Investments, restricted	6,648,658	10,497,444	2,581,868
Accounts Receivables	3,167		145,570
Accrued Interest Receivable	5,167		
Deposits			29,505
Due from other governmental agency			7,859
Non depreciable capital assets	2,560,739		
Depreciable capital assets, net	12,622,598		
Prepaid insurance	466,004		
	<u>22,306,333</u>	<u>10,497,444</u>	<u>2,764,802</u>
Total Assets			
LIABILITIES			
Accounts payable	362,395		82,049
Due to RWC 2020			367,249
Long-term debt:			
Due in one year	3,505,000		
Due in more than one year	33,369,624		
Due to Bondholders			1,846,028
Employee Benefit Plans Payable			80,260
Due to Community Benefit Improvement District			389,216
	<u>37,237,019</u>	<u>10,497,444</u>	<u>2,764,802</u>
Total Liabilities			
NET POSITION			
Restricted for pension		10,497,444	
Held in trust for other governments	<u>(14,930,686)</u>		

See accompanying notes to financial statements

CITY OF REDWOOD CITY
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Successor Agency Private Purpose Trust Fund \$	Section 115 Trust Fund \$
ADDITIONS		
Property taxes	4,841,859	
Employer contribution		10,548,850
Investment earnings	107,038	
	4,948,897	10,548,850
Total additions	4,948,897	10,548,850
DEDUCTIONS		
Community development	217,634	
Depreciation	515,979	
Interest and fiscal agency expenses of former redevelopment agency	2,788,292	51,406
	3,521,905	51,406
Total deductions	3,521,905	51,406
Change in net position	1,426,992	10,497,444
Net position - beginning, as restated	(16,357,678)	
Net position - ending	(14,930,686)	10,497,444

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

Separate financial statements are not prepared for other component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

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

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

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Major Funds

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

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

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

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

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

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

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

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

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

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

The City also reports the following fund types:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Major Funds, Continued

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

D. Basis of Accounting

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

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

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

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

General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Compensated Absences

In compliance with Governmental Accounting Standards Board Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental activities, the current liability for the payouts made after June 30, 2018 for those employees retired on or before June 30, 2018 appears in the respective funds and the long-term liability appears in the government-wide financial statements. This liability is set up for the current employees at the current rates of pay. An employee may accumulate vacation up to two years entitlement and sick leave up to 960 or 1,920 hours depending on the bargaining unit (with the exception that Battalion Chiefs who work 24 hour shifts may accumulate up to 2,400 hours of sick leave).

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

If sick leave and vacation are not used by the employee or paid out during the term of employment, compensation is payable to the employee at the time of separation. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Whereas vacation is compensated at 100% of accumulated hours, sick leave is compensated at 50% of accumulated hours at retirement depending upon varying restrictions of the bargaining units. Upon termination only accrued vacations are compensated. Each year an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The general fund is primarily responsible for the repayment of the governmental portion of the compensated absences.

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

F. Cash and Cash Equivalents

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

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

- a. Interest Rate Risk
- b. Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Cash Equivalents, Continued

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

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

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

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

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

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

G. Inventories and Prepaid Items

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Taxes

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

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

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

I. Unbilled Service Receivables

In the water and sewer utilities, residential customers are billed bi-monthly and all commercial and industrial customers monthly. Revenue is recorded as billed to customers on a cyclical basis. No accrual is made for unbilled services. There were no unbilled services in Port, parking, Docktown Marina, or internal service funds as of June 30, 2018.

There is no accrual for unbilled water services as of June 30, 2018; revenues cannot be recognized since water meters are not read at such date. Management believes that the revenue from unbilled services does not have a material effect on total revenue.

J. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at acquisition value on the date donated.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets, Continued

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

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

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (balance sheet) 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.

In addition to liabilities, the statement of net position (balance sheet) 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 so will not be recognized as an inflow of resources (revenue) until that time.

L. Interfund Transactions

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Use of Estimates

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

N. Pensions

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

O. Other Postemployment Benefits (OPEB)

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 Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2017
Measurement Period:	July 1, 2016 to June 30, 2017

P. Implementation of New GASB Pronouncements

In FY 2017-18 the City adopted the following new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The City restated its beginning net position as part of implementation of this statement.

GASB Statement No. 81, Irrevocable Split-Interest Agreements – The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the City for the current fiscal year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Implementation of New GASB Pronouncements, Continued

GASB Statement No. 85, Omnibus 2017 – The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement.

GASB Statement No. 86, Certain Debt Extinguishment Issues – The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the City for the current fiscal year.

NOTE 2 - CASH AND INVESTMENTS

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2018:

	Government-Wide Statement of Net Position			
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
	\$	\$	\$	\$
Cash and investments	164,128,236	90,039,249	-	254,167,485
Restricted cash and investments	4,229,155	9,799,249	19,727,970	33,756,374
Total cash and investments	<u>168,357,391</u>	<u>99,838,498</u>	<u>19,727,970</u>	<u>287,923,859</u>

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2018 consist of the following:

Deposits:	
Cash on hand	\$ 15,638
Deposits with financial institution	<u>896,949</u>
Total deposits	<u>912,587</u>
Investments:	
San Mateo Investment Pool	46,496,503
Local Agency Investment funds	83,079,550
Federal Agency Securities	33,987,625
U.S. Treasury Notes	54,040,569
Corporate Notes	27,205,573
Certificate of deposit - Negotiable	9,850,719
Collateralized Passthroughs	4,989,270
Supranational Obligations	3,758,645
Municipal Bonds	976,030
Bank Acceptance	4,248,276
Money Market	<u>106,959</u>
Total investments	<u>268,739,719</u>
Total City Treasury	<u>269,652,306</u>
Cash with fiscal agent	<u>18,271,553</u>
Total cash and investments	<u><u>\$ 287,923,859</u></u>

A. Cash and Deposits

The carrying amount of the City's cash and deposits, including restricted cash, was \$896,949 at June 30, 2018. Bank balances before reconciling items were \$1,932,376 at June 30, 2018. Of the total bank balances, \$500,000 was insured or held by the City or its agent in the City's name.

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

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

A. Cash and Deposits, Continued

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

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

B. Investments

As of June 30, 2018, the City had the following investments by maturity:

Cash and Investments	Total	Investment Maturities (in years)					5 years or More
		1 year or Less	1 - 2 years	2- 3 years	3 - 4 years		
County of San Mateo Investment Pool	\$ 46,496,503	\$ 46,496,503	\$ -	\$ -	\$ -	\$ -	-
California Local Agency Investment Fund	83,079,550	83,079,550	-	-	-	-	-
U.S. Agencies, Securities, and Corporate Notes:							
Federal Agency Securities	33,987,625	7,909,080	10,978,050	3,606,046	11,494,449	-	-
U.S. Treasury Notes	54,040,569	-	3,654,175	16,081,588	24,428,971	9,875,835	-
Corporate Notes	27,205,574	-	12,191,983	9,413,793	5,038,449	561,349	-
Bank Acceptance	4,248,276	4,248,276	-	-	-	-	-
Certificate of deposit - Negotiable	9,850,719	-	8,430,793	1,419,926	-	-	-
Municipal Bonds	976,030	-	-	-	-	976,030	-
Collateralized Passthroughs	4,989,269	-	-	-	1,945,707	3,043,562	-
Supranational Obligations	3,758,645	-	-	3,758,645	-	-	-
Money Market	106,959	106,959	-	-	-	-	-
Total	\$ 268,739,719	\$ 129,497,383	\$ 38,785,503	\$ 82,513,874	\$ -	\$ -	-

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

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Investments, Continued

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	5 years	No limit	No limit
Federal Agency or Government Sponsored Enterprises (GSEs)	N/A	No limit	No limit
Local Agency Investment Fund	N/A	No limit	\$65 Million
San Mateo County Pool	N/A	No limit	\$50 Million
State and Local Agency Bonds	N/A	20%	5%
Money Market and Mutual Funds	N/A	20%	5%
Local Government Investment Pools	N/A	20%	No limit
U.S. Medium-Term Notes	5 years	30%	5%
Non-negotiable Certificates of Deposit	3 years	10%	2%
Negotiable Certificates of Deposit	N/A	30%	5%
Prime Commercial Paper	270 days	25%	10%
Bankers’ Acceptances	180 days	10%	2%
Repurchase Agreements	90 days	10%	No limit
Asset-backed Securities	5 years	20%	5%
Supranational Securities	5 years	30%	5%

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Investments, Continued

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

	Moody's	S&P
U.S. Agencies, Securities, and Corporate Notes:		
Federal National Mortgage Association (FNMA)	Aaa	AA+
Federal Home Loan Mortgage Corporation (FHLMC)	Aaa	AA+
U.S. Treasury Securities	Aaa	AA+
Corporate Notes:		
General Electric	A2	A
Goldman Sachs Group Inc.	A3	BBB+
JPMorgan Chase&Co.	A3	A-
State Street	A1	A
Cisco Systems INC.	AA-	AA-
Bank of America Corporation	A3	A-
Citigroup INC.	Baa 1	BBB+
IBM Corp.	A1	A+
Apple INC.	Aa 1	AA+
American Express	A2	A-
BB&T CORP.	A2	A-
National Rural Utilities Cooperative Finance Corp.	A1	A
Wal-mart Stores INC	Aa 2	AA
The Procter & Gamble CO	Aa 3	AA-
United Parcel Service	A1	A+
Home Depot INC.	A2	A
Paccar Financial Corp.	A1	A+
Toyota Motor	Aa 3	AA-
Municipal Bonds		
CA state taxable GO Bond	Aa 3	AA-
Commercial Paper		
MUFG Bank, Ltd- New York	P-1	A-1
BNP Paribas-New York Branch	P-1	A-1
Certificate of Dep-negotiable:		
Credit Suisse AG, New York Branch	A1	A
Nordea Bank AB (publ), New York Branch	Aa 3	AA-
UBS AG, Stamford Branch	Aa 2	A+
Canadian Imperial Bank Of Commerce	A1	A
Crédit Agricole CIB - New York	A1	A+
Royal Bank CDA New York Branch	A1	AA-
Collateralized passthroughs:		
Honda Auto Receivables	Aaa	N/A
Nissan Auto Receivables Trust	Aaa	N/A
Toyota Auto Receivables Owner Trust	Aaa	AAA
Hyundai Auto Receivables Trust	Aaa	AAA
Toyota Auto Receivables Owner Trust	Aaa	AAA
Ally Auto Receivables Trust	Aaa	AAA
Supranational Obligations:		
International Finance CORP 2.6350% 3/9/2021	Aaa	AAA
Inter-American Development Bank Global MT 2.6250%	Aaa	AAA
External Investment Pools:		
San Mateo County Investment Fund	Not Rated	AAAf/S1
California Local Agency Investment Fund	Not Rated	Not Rated

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Investments, Continued

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

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

In fiscal year 1997-98, the City adopted Governmental Accounting Standards Board Statement No. 31, which requires that the City's investments be carried at fair value instead of cost. Under GASB 31, the City must adjust the carrying value of its investments to reflect their fair value at each fiscal year-end, and it must include the effects of these adjustments in income for that fiscal year. The adjustment from carrying value to fair value was an unrealized loss of \$2,952,124 as of June 30, 2018.

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

External Investment Pools

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

These investments may include the following:

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

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

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Investments, Continued

As of June 30, 2018, the City had \$83,079,550 (estimated fair value) invested in LAIF. LAIF had invested 2.89% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2018, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. The fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized costs.

Accordingly, as of June 30, 2018, the City's investment in LAIF at fair value amounted to \$83,079,550 using a LAIF fair value factor of 0.998126869. The fair value of the City's position in the pool is materially equivalent to the value of the pool shares.

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

Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2018 are described on the following page.

Investments included in LAIF and San Mateo County Pool as well as restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to fair value measurement.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Investments, Continued

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<u>Investments subject to levels</u>				
Commercial paper/Bank acceptance	\$ 4,248,276	\$ -	\$ 4,248,276	\$ -
Corporate Notes	27,205,574	-	27,205,574	-
Certificate of deposit - Negotiable	9,850,719	-	9,850,719	-
Municipal Bonds	976,030	-	976,030	-
Collateralized Passthroughs	4,989,269	-	4,989,269	-
Supranational Obligations	3,758,645	-	3,758,645	-
Federal Home Loan Mortgage Corporation	9,177,271	-	9,177,271	-
Federal National Mortgage Association	24,810,354	-	24,810,354	-
Money Market	106,959	-	106,959	-
US Treasury Notes	54,040,569	54,040,569	-	-
Total investments subject to levels	139,163,666	<u>\$ 54,040,569</u>	<u>\$ 85,123,097</u>	<u>\$ -</u>
<u>Investment not subject to levels</u>				
San Mateo County Pool	46,496,503			
Local Agency Investment Fund	83,079,550			
Total investments	<u>\$268,739,719</u>	<u>\$ 54,040,569</u>	<u>\$ 85,123,097</u>	<u>\$ -</u>

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

C. Restricted Cash

The City's restricted cash consisted of \$18,271,553 in cash and investments as of June 30, 2018 held by trustees or fiscal agents. The City had \$6,775,679 in restricted cash and investments held by the City. This restricted cash is pledged for the payment or security of certain bonds, certificates of participation, and lease obligations. The California government code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. In some situations, these investments differ from those permitted by the City investment policy. Included in these investments at June 30, 2018 is a guaranteed investment contract with a maturity date in fiscal year 2035 authorized in the bond indenture and by City Council prior to purchase.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

D. Investments held in Trust for Pension Benefits

The City established an irrevocable Section 115 Pension Trust with Public Agency Retirement Services (PARS). As of June 30, 2018, the trust had a balance of \$10,497,444. PARS' policy for allocation of invested assets is established as noted below:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	60.91%
Global Fixed Income	36.41%
Liquidity	<u>2.68%</u>
Total	<u>100.00%</u>

At June 30, 2018, PARS held no investments in any one organization that represented 5% of more of fiduciary net position.

NOTE 3 - LOANS RECEIVABLE

As of June 30, 2018, loans receivable consists of the following:

	<u>Government-Wide</u>
	\$
Wyndham Place First Time Homebuyer Loan Program	329,685
First Time Homebuyer Silent Loan Program	261,279
Loans with Non-profits and For Profit Organizations	1,133,153
Housing Rehabilitation Loans	1,026,575
Shores Childcare Loan	906,345
First Community Housing Loan	2,627,000
PAL Loan	214,286
Kainos Home and Training Center Loans	1,893,222
HIP Housing Development Corporation Loan	92,197
HIP Housing - Oxford	103,600
Mental Health Association of San Mateo County Loan	600,000
1512 Stafford Loan	1,577,750
Mezes Court Association	169,377
Mid-Pen Housing-Mosaic Garden	1,100,000
Allowance for Uncollectible Loans	<u>(1,893,222)</u>
Total	<u>10,141,247</u>

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

A. Wyndham Place First Time Homebuyer Loan Program

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

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

These loans bear no interest and are secured by second deeds of trust on the property, and typically, no payments are due until five years after the date of purchase. As of June 30, 2018 the City has outstanding loans of \$329,685 to eleven Wyndham Place buyers.

B. First Time Homebuyer Silent Loan Program

In 2000, the former Redevelopment Agency established a First Time Homebuyer Silent Loan Program. Loans are deferred for the first five years, and then amortized at 4% interest over the remaining 25 years. An Equity Participation requirement shares appreciation based on the amount of the Agency's original loan amount. At June 30, 2018, there were outstanding loans to four homebuyers totaling \$261,279.

C. Loans with Non-profits and For Profit Organizations

The City and former Redevelopment Agency loaned \$500,000 to MP Redwood Court Associates and \$650,000 to Hallmark Apartments LLP. The MP Redwood Court Associates loan agreement was entered into in July 2003 for the repair and rehabilitation of housing units. The loan term is 55 years and bears 0% interest. The loan to Hallmark Apartments LLP has interest deferred for the first 30 years after which it bears interest at 3% until the December 2058 maturity. The outstanding balance at June 30, 2018 was \$1,133,153.

D. Housing Rehabilitation Loans

The City and former Redevelopment Agency have outstanding loans for housing rehabilitation in the amount of \$1,026,575.

E. Shores Childcare Loan

The City entered into an agreement with Shores Childcare, LLC whereby \$3,200,000 was loaned to Shores Childcare, LLC for construction of a childcare facility on City-owned land in the Redwood Shores area. The term of the loan is 20 years maturing January 2023, with interest payable quarterly and calculated based on the quarterly rate of the State of California Local Agency Investment Fund plus 250 basis points. The outstanding balance of the loan at June 30, 2018 was \$906,345.

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

F. First Community Housing Loan

The City entered into an agreement with First Community Housing whereby \$2,627,000 (\$200,000 from Community Development Block Grant, \$1,927,000 from the former Redevelopment Agency low and moderate housing fund, \$500,000 pass-through from County of San Mateo) was loaned to First Community Housing for construction of the Villa Montgomery housing development at El Camino and Vera Avenue. The portion of the loan attributable to the former Redevelopment Agency has been transferred to the City's Low and Moderate Income Housing Asset fund. The loan bears interest at 3% for 40 years. The loan will be repaid annually from 70% of the project's net cash flow. The outstanding balance of the loan at June 30, 2018 was \$2,627,000.

G. Police Activities League Loan

In March 2006, the City paid off a construction loan in the amount of \$1,500,000 that the Police Activities League (PAL), a separate, private, non-profit agency, entered into with Bay Area Bank to partially finance the construction of the new PAL community center at Taft School. The City Council and PAL agreed that one-half of the amount, or \$750,000, will be paid back to the City by PAL over a period of 15 years. The outstanding balance of the loan at June 30, 2018 was \$214,286.

H. Kainos Home and Training Center Loan

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

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

In 2010-11, the City entered into an agreement with Kainos Home and Training Center whereby \$400,000 from the City's HOME and CDBG grant programs were loaned to acquire property located at 1122 Valota Road in Redwood City for special needs housing. The loan is deferred for a term of 55 years at 0% interest.

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

The loans to Kainos Home and Training Center are intended to be forgiven upon maturity, and therefore, an allowance for uncollectible loans has been set up in the amount of \$1,893,222.

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

I. HIP Housing Development Corporation (HHDC) Loan

In March 2013, the City entered into an agreement with HHDC whereby \$92,197 from HOME investment Partnership Act (HOME) funds were loaned to assist in the rehabilitation of a 12 unit apartment building located at 1157-1161 Willow Road in Menlo Park. The loan is deferred for a term of 30 years at 3% interest. The outstanding balance of the loan at June 30, 2018 was \$92,197.

In August 2015, the City entered into an agreement with HHDC whereby \$103,600 from HOME investment Partnership Act (HOME) funds were loaned to assist in the rehabilitation of rental housing property located at 1505-1509 Oxford Street in Redwood City.

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

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

In 2016-2017, the City entered into a second agreement with MHA whereby an additional \$200,000 from Community Development Block Grant (CDBG) was loaned for the property located at 105 5th Avenue in Redwood City. The loan is deferred for a term of 30 years at 0% interest.

K. Mezes Court Association

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

L. Stafford Loan

In June, 2017, the City entered into an agreement with HHDC whereby \$1,577,750 from the City's Affordable Housing Fund and HOME and CDBG grant programs were loaned to assist with the acquisition of real property located at 1512 Stafford Street in Redwood City. The loan is deferred for a term of 55 years at 3% interest. The outstanding balance of the loan at June 30, 2018 was \$1,577,750.

M. Mid-Pen Mosaic Garden Loan

In February, 2018, the City entered into an agreement with MP Mosaic Garden Associates, L.P., whereby \$1,100,000 from the City's Affordable Housing Fund to refinance property located at 3752-3770 Rolison Road in the City of Redwood City to be used to provide rental housing to Low Income Household, Very Low Income Households, and Extremely Low Income Households. The loan is deferred for a term of 55 years at 3% interest. The outstanding balance of the loan at June 30, 2018 was \$1,100,000.

NOTE 4 - CAPITAL ASSETS

A. Summary

Capital assets at June 30 are comprised of the following:

	Balance June 30, 2017	Adjustment	Additions	Retirements	Transfers	Balance June 30, 2018
Government activities						
Capital assets not being depreciated:						
Land	\$ 31,397,153	\$ 565,925	\$ -	\$ -	\$ -	\$ 31,963,078
Construction in progress, Property	21,416,016	-	10,489,806	-	(6,310,028)	25,595,794
Construction in progress, Vehicles	199,646	-	565,658	-	(189,841)	575,463
Total capital assets not being depreciated	<u>53,012,815</u>	<u>565,925</u>	<u>11,055,464</u>	<u>-</u>	<u>(6,499,869)</u>	<u>58,134,335</u>
Capital assets being depreciated:						
Buildings	83,309,015	-	-	-	-	83,309,015
Accumulated depreciation	(31,745,929)	-	(1,656,269)	-	-	(33,402,198)
Improvements other than buildings	9,048,741	-	355,634	-	541,731	9,946,106
Accumulated depreciation	(2,607,276)	-	(488,456)	-	-	(3,095,732)
Parks	36,455,464	-	440,000	-	2,377,180	39,272,644
Accumulated depreciation	(18,140,953)	-	(1,243,305)	-	-	(19,384,258)
Streets	116,872,502	-	1,281,797	-	-	118,154,299
Accumulated depreciation	(72,896,929)	-	(3,968,444)	-	-	(76,865,373)
Bridges	2,248,335	-	-	-	-	2,248,335
Accumulated depreciation	(2,049,885)	-	(74,945)	-	-	(2,124,830)
Traffic Signals	3,095,743	-	135,551	-	140,000	3,371,294
Accumulated depreciation	(2,278,349)	-	(85,809)	-	-	(2,364,158)
Storm Drains	12,419,855	-	736,548	-	3,251,120	16,407,523
Accumulated depreciation	(2,841,171)	-	(423,979)	-	-	(3,265,150)
subtotal	<u>130,889,163</u>	<u>-</u>	<u>(4,991,677)</u>	<u>-</u>	<u>6,310,031</u>	<u>132,207,517</u>
Machinery & Equipment	25,627,437	-	1,591,050	(1,130,517)	189,838	26,277,808
Accumulated depreciation	(16,374,969)	(6,226)	(1,646,863)	1,019,975	-	(17,008,083)
Net capital assets being depreciated	<u>140,141,631</u>	<u>(6,226)</u>	<u>(5,047,489)</u>	<u>(110,542)</u>	<u>6,499,869</u>	<u>141,477,243</u>
Governmental activity capital assets, net	<u>\$ 193,154,446</u>	<u>\$ 559,699</u>	<u>\$ 6,007,975</u>	<u>\$ (110,542)</u>	<u>\$ -</u>	<u>\$ 199,611,578</u>
Business-Type Activities						
Capital assets not being depreciated:						
Land	\$ 3,180,272	\$ -	\$ -	\$ -	\$ -	\$ 3,180,272
Construction in progress	14,116,092	-	11,743,942	-	(7,521,822)	18,338,212
Total capital assets not being depreciated	<u>17,296,364</u>	<u>-</u>	<u>11,743,942</u>	<u>-</u>	<u>(7,521,822)</u>	<u>21,518,484</u>
Capital assets being depreciated						
Harbor Improvements	4,773,955	-	-	-	-	4,773,955
Accumulated depreciation	(3,296,345)	-	(114,727)	-	-	(3,411,072)
Buildings	62,466,683	-	-	-	-	62,466,683
Accumulated depreciation	(15,681,473)	-	(1,288,972)	-	-	(16,970,445)
Machinery and equipment	1,709,192	-	219,003	-	-	1,928,195
Accumulated depreciation	(1,585,480)	-	(40,588)	-	-	(1,626,068)
Improvements other than buildings	201,516,253	-	8,923,244	-	7,521,822	217,961,319
Accumulated depreciation	(63,650,143)	-	(4,530,566)	-	-	(68,180,709)
Net capital assets being depreciated	<u>186,252,642</u>	<u>-</u>	<u>3,167,394</u>	<u>-</u>	<u>7,521,822</u>	<u>196,941,858</u>
Business-type activity capital assets, net	<u>\$ 203,549,006</u>	<u>\$ -</u>	<u>\$ 14,911,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,460,342</u>

B. Depreciation Allocation

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

NOTE 4 – CAPITAL ASSETS (CONTINUED)

B. Depreciation Allocation, Continued

Governmental Activities

Community Development	\$ 202,518
Human Services	87,333
Public Safety	1,045,643
Transportation	4,113,740
Leisure, cultural, and information services	2,909,669
Policy development and implementation	827,943
Environmental support and protection	401,223
Total Depreciation Expense-Governmental Activities	<u>\$ 9,588,069</u>

Business-Type Activities

Water Utility Fund	\$ 3,105,436
Sewer Utility fund	720,872
Parking Fund	549,499
Dock Town	32,258
Port of Redwood City	1,566,788
Total Depreciation Expense-Business-Type Activities	<u>\$ 5,974,853</u>

NOTE 5 - INVESTMENT IN SILICON VALLEY CLEAN WATER AUTHORITY

Redwood City has an investment of \$30,120,726 in Silicon Valley Clean Water Authority (SVCW), a California joint powers authority (JPA) with the cities of San Carlos, Belmont, and the West Bay Sanitation District. In addition, it has an additional investment of \$7,154,350, in SVCW stage II construction. The City’s investment in SVCW was adjusted to reflect a net decrease in the investment of \$2,588,106. Every fiscal year the City adjusts the investment based on the City’s proportion of financial activity at SVCW.

SVCW operates and maintains a sewer plant, which was jointly constructed with federal and state grants and contributions from participating entities. SVCW is run by its board of directors, which is comprised of four members. The city councils of each member city and the board of the West Bay Sanitation District each select one of their own members to serve on this board. No member agency has control of SVCW’s budget, finances, or operations. The board acts autonomously of the respective member agencies.

During the fiscal year ended June 30, 2018, the City contributed \$10,780,992 toward the cost of operating and maintaining the facility and paid debt principal and interest of \$6,592,815 that included the state revolving fund loan and the financing agreements to finance the construction and rehabilitation of the SVCW’s wastewater system.

NOTE 5 - INVESTMENT IN SILICON VALLEY CLEAN WATER AUTHORITY (CONTINUED)

At June 30, 2018, the total obligation for the 2009, 2014, 2015 and 2018 revenue bonds is \$268,295,000. The City’s direct obligation is \$149,045,182. For the fiscal year 2018-19, the City is obligated to pay debt principal and interest payments totaling \$9,796,080. The financing agreements for these bonds are secured by a pledge of the City’s Sewer Enterprise Fund Net Revenue as defined under the financing agreements. For the fiscal year 2017-18, gross Sewer Fund revenues, including operating revenues and non-operating interest earnings, amounted to \$37,372,505. The operating and maintenance costs, including operating expenses, transfers out for overhead and administrative cost but excluding interest, and depreciation or amortization amounted to \$28,871,159. Net revenues available for debt services amounted to \$7,035,742, which represented coverage of 1.33 times over the total of debt services of \$5,277,488.

In October 2015, SVCW issued the 2015 wastewater revenue bonds in the amount of \$70.2 million. Pursuant to the financing agreement, the City’s allocable share of the 2015 bonds is approximately 51.3%. Of the total bond proceeds, \$8.5 million will be used to refund, on an advance basis, certain maturities of the 2008 Bonds and approximately \$49.8 million will be used to refund, on an advance crossover basis, certain maturities of the 2009 Bonds.

In February 2018, SVCW issued \$140,955,000 in Revenue Bonds. The Bonds were issued to finance the acquisition and construction of capital improvements to SVCW’s wastewater system and pay costs of issuing the Bonds. Pursuant to the financing agreement, the City’s allocable share of the 2018 bonds is approximately 58.32 %.

Proceeds associated with the Refunded 2009 Bonds have been deposited into the “2009 Escrow Fund” until the crossover date of August 1, 2019, when all of the outstanding Refunded 2009 Bonds will be redeemed, without premium. Prior to the crossover date, the Refunded 2009 Bonds will continue to be secured by and payable from the revenues that were originally pledged for the payment of the 2009 Bonds.

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

The condensed unaudited financial information of the JPA as of June 30, 2018 is as follows:

Total Assets	\$	447,262,930
Deferred Outflows of Resources		6,236,059
Total Liabilities		372,589,353
Deferred Inflows of Resources		1,243,778
Total Net Position	\$	<u>79,665,858</u>
Total Operating Revenues	\$	45,091,922
Total Operating Expenses		33,005,971
Total Operating Income (loss)		12,085,951
Other Income (loss)		<u>(10,412,108)</u>
Net Income (loss)	\$	<u>1,673,843</u>

NOTE 5 - INVESTMENT IN SILICON VALLEY CLEAN WATER AUTHORITY (CONTINUED)

Cumulative Agency Balances:	
Belmont	\$ 24,060,518
San Carlos	6,145,323
Redwood City	37,275,076
West Bay Sanitation District	<u>12,184,942</u>
Total Net Position	<u>\$ 79,665,859</u>

NOTE 6 - GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

A. Description

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

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

B. Changes in Long-Term Obligations

As of June 30, 2018, the City had the following long-term obligations outstanding:

	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One year
Governmental Activities:	%					
Revenue Bonds						
2013 PFA Refunding Lease	1.51	\$ 1,034,666	\$ -	\$ 687,180	\$ 347,486	\$ 347,486
Total Bonds and Loans		<u>1,034,666</u>	<u>-</u>	<u>687,180</u>	<u>347,486</u>	<u>347,486</u>
Accrued Sick Leave and Vacation		<u>11,556,444</u>	<u>896,752</u>	<u>432,796</u>	<u>12,020,400</u>	<u>444,477</u>
Total Governmental Activities Long-Term Debt		<u>\$12,591,110</u>	<u>\$ 896,752</u>	<u>\$ 1,119,976</u>	<u>\$12,367,886</u>	<u>\$ 791,963</u>

At year-end, \$1,063,796 of internal service fund compensated absences is included in the above amounts. For the governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 6 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (CONTINUED)

C. Annual Repayment Requirements for Long-Term Debt

Year End June 30	Refunding Lease	
	Principle	Interest
	\$	\$
2019	347,486	2,624

NOTE 7 - BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

A. Description

Revenue Bonds:

Port of Redwood City 2012 Revenue Bonds – In June 2012, bonds were issued in the amount of \$10,000,000 to finance construction of the Port’s Wharf 1 & 2 Redevelopment Project. The bonds are due in annual installments of \$386,916 to \$725,679 through 2032, with total principal and interest remaining of \$10,392,113. The bonds are payable out of net revenues of the Port, which are expected to equal at least 120% of the annual debt service requirement.

Port of Redwood City 2015 Revenue Bonds – In June 2015, bonds were issued in the amount of \$6,940,000 to (a) refund the 1999 Bonds, (b) purchase the 2016 Reserve Fund Policy in lieu of cash funding a reserve fund for the 2016 Bonds, and (c) pay a portion of the costs of issuance of the 2016 Bonds. The bonds are due in annual installments of \$385,000 to \$611,000 through 2030, with total principal and interest remaining of \$7,239,946. The bonds are payable out of net revenues of the Port, which are expected to equal at least 120% of the annual debt service requirement.

Water Revenue Bonds Series 2007A – In February 2007, Redwood City Public Financing Authority issued \$15,150,000 of bonds to finance a portion of the City’s recycled water project. Principal and interest was payable in 28 annual installments of \$728,072 to \$950,950 from August 2007 through February 2035. During the year, these were refunded with the issuance of Series 2017 bonds.

Water Revenue Bonds Series 2013 – In June 2013, Redwood City Public Financing Authority issued \$26,870,000 of bonds to refund the remaining Water Revenue Bonds Series 2005A. The refunding resulted in a decrease of total debt service payments of \$2,386,569 and an economic gain of \$1,231,113. Principal and interest is payable in 21 annual installments of \$1,584,262 to \$2,063,000 from August 2013 through February 2034, with total principal and interest remaining of \$32,971,800. The bonds are payable out of net revenues of the water utility fund which are expected to equal at least 120% of the annual debt service requirement.

Water Revenue Bonds Series 2015 – In May 2015, Redwood City Public Financing Authority issued \$20,235,000 of bonds to refund the remaining Water Revenue Bonds Series 2006A. The refunding resulted in a decrease of total debt service payments of \$3,243,691 and an economic gain of \$2,117,710. Principal and interest is payable in 20 annual installments of \$1,205,491 to \$1,421,544 from August 2016 through February 2035 with total principal and interest remaining of \$24,139,488. The bonds are payable out of net revenues of the water utility fund which are expected to equal at least 120% of the annual debt service requirement.

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

A. Description, Continued

Water Revenue Bonds Series 2017 – In February, 2017, Redwood City Public Financing Authority issued \$6,300,000 of bonds to refund the outstanding Water Revenue Bonds Series 2007A. The refunding resulted in a decrease of total debt service payments of \$8,191,968 and an economic gain of \$1,169,839. Principal and interest is payable in 18 annual installments of 493,588 to \$496,800 from February 2018 through February 2035 with total principal and interest remaining of \$8,384,106. The bonds are payable out of net revenues of the water utility fund which are expected to equal at least 120% of the annual debt service requirement.

Pledges of Future Revenues – The pledge of future water utility fund revenues ends upon repayment of the \$69.5 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2035-36. For fiscal year 2017-18, water utility fund operating revenues amounted to \$42,990,320 and operating expenses excluding depreciation and amortizations amounted to \$36,472,505. Net revenues available for debt service amounted to \$6,517,815 which represented a coverage ratio of 1.64 over the \$3,965,763 in debt service.

The pledge of future Port of Redwood City fund revenues ends upon repayment of the \$19 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2031-32. Port of Redwood City fund operating revenues amounted to \$8,627,231 and operating expenses excluding depreciation, amortizations, and subvention to the City amounted to \$4,245,795. Net revenues available for debt service amounted to \$4,381,436 which represented a coverage ratio of 3.25 over the \$1,346,481 in debt service.

B. Changes in Debt

	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type Activities:	%					
Revenue Bonds						
Port of Redwood City-2012 Series	4.20-4.20	\$ 8,250,454	\$ -	\$ 403,637	\$ 7,846,817	\$ 420,605
Port of Redwood City-2015 Series	2.00-4.00	6,190,000	-	395,000	5,795,000	405,000
Water Revenue Bonds Series 2007A	4.00-4.50	-	-	-	-	-
Water Revenue Refunding Bonds Series 2013	3.00-5.00	23,385,000	-	955,000	22,430,000	980,000
Water Revenue Refunding Bonds Series 2015	3.00-4.00	18,790,000	-	755,000	18,035,000	775,000
Water Revenue Refunding Bonds Series 2017	2.00-5.00	6,300,000	-	265,000	6,035,000	245,000
Unamortized Premium-Water		3,993,510	-	231,055	3,762,455	-
Unamortized Discount-Port		(19,373)	-	(1,500)	(17,873)	-
		<u>66,889,591</u>	<u>-</u>	<u>3,003,192</u>	<u>63,886,399</u>	<u>2,825,605</u>
Accrued Sick Leave and Vacation:		<u>915,493</u>	<u>485,787</u>	<u>440,513</u>	<u>960,767</u>	<u>477,802</u>
Total Business-type Activities Long-Term Debt		<u>\$ 67,805,084</u>	<u>\$ 485,787</u>	<u>\$ 3,443,705</u>	<u>\$ 64,847,166</u>	<u>\$ 3,303,407</u>

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

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

Business-Type Activities:

Year End June 30	Revenue Bonds	
	Principal	Interest
	\$	\$
2019	2,825,605	2,486,485
2020	2,938,775	2,378,768
2021	3,057,563	2,264,131
2022	3,177,155	2,144,889
2023	3,302,586	2,020,908
2024-2028	18,811,352	7,816,934
2028-2032	20,433,781	3,579,963
2033-2036	5,595,000	293,400
	60,141,817	22,985,478

NOTE 8 - DEBT WITHOUT CITY COMMITMENT

A. Successor Agency Private Purpose Trust Fund Debt

Tax Increment Bonds:

2003 Tax Allocation Bonds – In October 2003, the former Redevelopment Agency issued \$33,997,448 in bonds to finance various downtown improvements. These bonds consist of current coupon bonds and capital appreciation bonds. The current coupon bonds pay interest-only through January 15, 2010. Principal on the current coupon bonds is paid in annual installments of \$1,225,000 to \$3,045,000 from July 15, 2010 to July 15, 2014. Payments reflecting interest and principal on the capital appreciation bonds are due in annual installments of \$3,505,000 to \$3,510,000 from July 15, 2016 through July 15, 2032. Total principal and interest remaining on the bonds is \$52,585,000. Payments are made from property tax increment generated by the former redevelopment agency fund.

B. Community Facilities District (Mello-Roos) Bonds

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

In July 2012 the CFD issued \$5,555,000 Community Facilities District No. 2000-1 Pacific Shores Special Tax Refunding Bonds, Series 2012 to refund \$8,655,000 of the Series 2000A bonds. The refunding reduced annual debt service payments by approximately 25% or \$52,000, and resulted in an economic gain of \$398,000, which equates to 7.61% of the refunding bonds. In September 2016, the final payment was made and this obligation was paid in full.

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

NOTE 8 - DEBT WITHOUT CITY COMMITMENT (CONTINUED)

B. Community Facilities District (Mello-Roos) Bonds, Continued

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

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

The City is not required to advance available funds of the City for payment of principal or interest or to purchase land at a delinquent foreclosure assessment sale. As of June 30, 2018, the outstanding principal amount was \$8,205,000.

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

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

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

The City is not required to advance available funds of the City for payment of principal or interest or to purchase land at a delinquent foreclosure assessment sale. As of June 30, 2018, the outstanding principal amount was \$4,235,000.

NOTE 9 - EMPLOYEE BENEFITS

A. Pension Plan

General Information about the Pension Plan:

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

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

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

	<u>Public Safety Tier 1</u>	<u>Public Safety Tier 2</u>	<u>Public Safety Tier 3</u>
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	55	57
Benefit factor for each year of service as a % of annual salary	3%	2.4%-3%	2%-2.7%
Required employee contribution rates	9%	9%	12%
Required employer contribution rates -normal cost	21.263%	21.263%	21.263%
	<u>Miscellaneous Tier 1</u>	<u>Miscellaneous Tier 2</u>	<u>Miscellaneous Tier 3</u>
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	60	62
Benefit factor for each year of service as a % of annual salary	2%-2.7%	1.092%-2.418%	1%-2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates -normal cost	8.777%	8.777%	8.777%

In accordance with Memoranda of Understanding with the employee bargaining units, employees participate in cost sharing of the required employer contribution rates from 2%-9%, depending on the bargaining unit.

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

A. Pension Plan, Continued

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$6,427,130 and \$6,051,767 for the safety and miscellaneous plans respectively in fiscal year 2018.

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

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

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

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

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

Miscellaneous employees hired before October 13, 2011 (Tier 1) are covered under the "2.7% at 55" formula. Under this retirement plan, an employee's retirement earnings, at age 55, are calculated by multiplying 2.7% by the employee's years of service. An employee with five years of service is eligible to retire at age 50 at a reduced pension amount. The pension amount increases with age and length of service.

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

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

A. Pension Plan, Continued

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

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
	<u>s</u>	<u></u>
Inactive employees or beneficiaries currently receiving benefits	515	320
Inactive employees entitled to but not yet receiving benefits	458	56
Active employees	<u>404</u>	<u>176</u>
Total	<u><u>1,377</u></u>	<u><u>552</u></u>

Contributions – Section 20814(C) of the California PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (the measurement date), the average active employee contribution rate is 7.607 percent of annual pay for the Miscellaneous Plan and 9.124 percent of annual pay for the Safety Plan, and employer contribution rate is 8.78 percent of annual payroll for the Miscellaneous Plan and 21.27 percent of annual payroll for the Safety Plan.

Net Pension Liability:

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

A. Pension Plan, Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuation were determined using the following assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	
Investment Rate of Return	7.50%	7.50%
Mortality (1)	Derived using CalPERS' Membership Data for all	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

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

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

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

A. Pension Plan, Continued

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100%		

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

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

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

A. Pension Plan, Continued

Changes in the Net Pension Liability:

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

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$ 290,062,332	\$ 195,859,694	\$ 94,202,638
Changes in the year:			
Service cost	5,947,899	-	5,947,899
Interest on the total pension liability	21,786,870	-	21,786,870
Differences between actual and expected experience	275,278	-	275,278
Changes in assumptions	18,027,744	-	18,027,744
Changes in benefit terms	-	-	-
Net Plan to Plan Resource Movement	-	(6,379)	6,379
Contribution - employer	-	8,428,180	(8,428,180)
Contribution - employee	-	2,778,380	(2,778,380)
Net investment income	-	22,220,866	(22,220,866)
Administrative expenses	-	(289,176)	289,176
Benefit payments , including refunds of employee contributions	(13,255,651)	(13,255,651)	-
Net changes	32,782,140	19,876,220	12,905,920
Balance at June 30, 2017	\$ 322,844,472	\$ 215,735,914	\$ 107,108,558

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$ 337,012,416	\$ 216,012,863	\$ 120,999,553
Changes in the year:			
Service cost	8,853,629	-	8,853,629
Interest on the total pension liability	25,379,781	-	25,379,781
Differences between actual and expected experience	1,130,542	-	1,130,542
Changes in assumptions	21,432,755	-	21,432,755
Changes in benefit terms	-	-	-
Net Plan to Plan Resource Movement	-	108,379	(108,379)
Contribution - employer	-	11,975,338	(11,975,338)
Contribution - employee	-	2,916,109	(2,916,109)
Net investment income	-	24,645,186	(24,645,186)
Administrative expenses	-	(318,928)	318,928
Benefit payments , including refunds of employee contributions	(18,081,124)	(18,081,124)	-
Net changes	38,715,583	21,244,960	17,470,623
Balance at June 30, 2017	\$ 375,727,999	\$ 237,257,823	\$ 138,470,176

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

A. Pension Plan, Continued

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

	Miscellaneous	Safety	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 150,785,807	\$ 190,784,784	\$ 341,570,591
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 107,108,558	\$ 138,470,176	\$ 245,578,734
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 71,047,706	\$ 95,785,320	\$ 166,833,026

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

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

For the fiscal year ended June 30, 2018, the City recognized pension expense of \$17,289,578 for the Miscellaneous Plan and \$20,924,659 for the Safety Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,527,907	\$ -	\$ 10,880,756	\$ -
Changes of Assumptions	11,589,264	-	15,792,556	(1,197,233)
Differences between Expected and Actual Experiences	882,225	-	1,851,642	-
Net differences between projected and actual earnings on plan investments	2,400,188	-	2,436,638	-
Total	<u>\$ 22,399,584</u>	<u>\$ -</u>	<u>\$ 30,961,592</u>	<u>\$ (1,197,233)</u>

\$18,408,663 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Fiscal Year Ending June 30:	Miscellaneous Plan	Safety Plan
2018	\$ 6,981,183	\$ 4,970,035
2019	8,443,990	9,842,933
2020	1,118,582	5,942,674
2021	(1,672,088)	(1,872,039)

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

A. Pension Plan, Continued

Payable to Pension Plan:

As of June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2018.

B. Post Employment Benefits

Plan Description

Redwood City:

The City administers an agent multiple-employer defined benefit post-employment healthcare plan. Permanent employees who retire under the City’s retirement plan are, pursuant to their respective collective bargaining agreements, eligible to have their medical insurance premiums reimbursed by the City up to the Kaiser family premium rate. Medical insurance premiums for spouses and other dependents generally are not paid by the City. In the case of public safety disability retirement, the City provides medical insurance for dependents. Currently there are 382 retirees receiving this benefit.

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

The CERBT issues a publicly available financial report that included financial statements and required supplementary information for the City, not individualizing, but in aggregate with the other CERBT participants. That report may be obtained by contacting CalPERS.

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	522
Inactive employees or beneficiaries currently receiving benefits	382
Inactive employees entitled to, but not yet receiving benefits	88
	992

Contributions

The OPEB Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the City’s cash contributions were \$3,590,520 in payments to the trust plus 2,608,884 cash benefit payments and the estimated implied subsidy was \$631,000 resulting in total payments of \$6,830,404.

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

B. Post Employment Benefits, Continued

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial Assumption

Discount Rate	6.75%
Inflation	2.75% per annum
Salary Increases	Aggregate-3%
Investment Rate of Return	6.75%
Mortality Rate	(1) Derived using CalPERS’ Membership Data for all funds
Pre-Retirement Turnover	(2) Derived using CalPERS’ Membership Data for all funds
Healthcare Trend Rate	Non-Medicare - 6.25% for 2018, decreasing to an ultimate rate of 4.75% in 2021 and later years Medicare - 6.45% for 2018, decreasing to an ultimate rate of 4.75% in 2021 and later years

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications

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:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.00%	4.82%
Fixed Income	27.00%	1.47%
Treasury Inflation-Protected Securities (TIPS)	5.00%	1.29%
Commodities	3.00%	0.84%
Real Estate Investment Trusts	8.00%	3.76%
TOTAL	100.00%	

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

B. Post Employment Benefits, Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that District 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.

Changes in the OPEB Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017			
(Measurement date 06/30/2016)	79,437,089	21,529,949	57,907,140
Changes in the year:			
Service cost	2,431,405	-	2,431,405
Interest	5,420,908	-	5,420,908
Benefit changes			
Actual vs. expected experience			
Assumption changes			
Contribution - employer	-	6,163,000	(6,163,000)
Contribution - employee	-	-	-
Net investment income	-	2,270,294	(2,270,291)
Benefit payments	(3,117,523)	(3,117,523)	-
Administrative expenses	-	(11,547)	11,547
Net changes	4,734,790	5,304,224	(569,431)
Balance at June 30, 2018			
(Measurement date 06/30/2017)	84,171,879	26,834,173	57,337,709

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

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	68,987,821	57,337,709	47,830,891

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

B. Post Employment Benefits, Continued

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

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	46,946,464	57,337,709	70,496,053

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. 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. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL)

OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$6,165,269. For the fiscal year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 6,830,405	\$ -
Changes of Assumptions	-	571,699
Net differences between projected and actual earnings on plan investments	-	-
Total	<u>\$ 6,830,405</u>	<u>\$ 571,699</u>

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

B. Post Employment Benefits, Continued

The \$6,830,405 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending	Deferred
June 30:	Outflows/Inflows
June 30:	of Resources
2019	\$ (142,925)
2020	(142,925)
2021	(142,925)
2022	(142,924)

Port of Redwood City:

Plan Description

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

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

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	6
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	-
	8

Contributions

The OPEB Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the Authority and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the Port’s cash contributions were \$6,300 in payments to the trust resulting in total payments of \$6,300.

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

B. Post Employment Benefits, Continued

Net OPEB Liability

The Port’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial Assumption

Discount Rate	3.56%
Inflation	2.75% per annum
Salary Increases	Aggregate-3%
Investment Rate of Return	3.56%
Mortality Rate	(1) Derived using CalPERS’ Membership Data for all funds
Pre-Retirement Turnover	(2) Derived using CalPERS’ Membership Data for all funds
Healthcare Trend Rate	6.0%-8.0%

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications

(2) The pre-retirement turnover information was developed based on CalPERS’ specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

Since the benefits are not funded, the discount rate is equal to the 20-Year Bond Rate. The Port has chosen to use the “Fidelity General Obligation AA Index” as its 20-year bond rate. That Index was 2.92% at June 30, 2016, and 3.56% at June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56 percent. The projection of cash flows used to determine the discount rate assumed that District 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.

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

B. Post Employment Benefits, Continued

Changes in the OPEB Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017			
(Measurement date 06/30/2016)	\$ 698,077	\$ -	\$ 698,077
Changes in the year:			
Service cost	14,623	-	14,623
Interest	20,261	-	20,261
Assumption changes	(68,366)	-	(68,366)
Benefit payments	(8,400)	-	(8,400)
Net changes	(41,882)	-	(41,882)
Balance at June 30, 2018			
(Measurement date 06/30/2017)	<u>\$ 656,195</u>	<u>\$ -</u>	<u>\$ 656,195</u>

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

The following presents the net OPEB liability of the Port if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current	1% Increase
	(2.56%)	Discount Rate (3.56%)	(4.56%)
Net OPEB Liability	\$ 767,778	\$ 656,195	\$ 567,444

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

The following presents the net OPEB liability of the Port if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current	1% Increase
	5.0% to 7.0%	Trend Rate 6.0% to 8.0%	7.0% to 9.0%
Net OPEB Liability	\$ 569,745	\$ 656,195	\$ 763,353

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

B. Post Employment Benefits, Continued

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. 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. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (6.2 Years at June 30, 2017)

OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Port recognized OPEB expense of \$23,857. For the fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 6,300	\$ -
Changes of Assumptions	-	57,339
Net differences between projected and actual earnings on plan investments	-	-
Total	<u>\$ 6,300</u>	<u>\$ 57,339</u>

The \$6,300 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/Inflows of Resources
2019	\$ (11,027)
2020	(11,027)
2021	(11,027)
2022	(11,027)
2023	(11,027)
Thereafter	(2,204)

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

C. Cafeteria Benefit Plan

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

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

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

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

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

D. Deferred Compensation Plans

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

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

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

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

NOTE 10 - NET POSITION AND FUND BALANCES

GASB Statement No. 63 adds the concept of net position, which is measured on the full accrual basis, to the concept of fund balance, which is measured on the modified accrual basis.

A. Net Position

Net position is the excess of all the City's assets over all its liabilities, regardless of fund. Net position is divided into three captions. These captions apply only to net position, which is determined only at the government-wide level and are described below:

Net investment in capital assets describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes. At June 30, 2018, restricted net position for the governmental activities was \$64,923,970.

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

B. Fund Balances

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2018, fund balances for governmental funds are made up of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term loans receivable.

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

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

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

NOTE 10 – NET POSITION AND FUND BALANCES (CONTINUED)

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

Unassigned Fund Balance – is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures exceed amounts restricted, committed, or assigned, the negative amount is reflected as negative unassigned fund balance. Within the unassigned fund balance of the general fund, the City Council has established a minimum balance representing a level not less than 15% of the following fiscal year’s budgeted general fund revenues.

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

C. Deficit Fund Equity/Net Position

The Successor Agency private purpose trust fund had negative net position of \$14,930,686 due to long-term debt outstanding for bonds used to finance various downtown improvements.

The planning cost recovery fund had a negative fund balance of \$3,022.

The internal services fund had a negative net position of \$16,466,246 due to the net pension liability.

The docktown marina fund had a negative net position of \$4,731,453 due to the costs associated with the Docktown Marina relocation plan.

NOTE 11 - FUNDS WITH EXPENDITURES EXCEEDING APPROPRIATIONS

Leisure, cultural and information services expenditures exceeded appropriations in the Redwood Shores Landscape Maintenance Fund.

NOTE 12 - INTERFUND TRANSFERS AND TRANSACTIONS

A. Transfers

The following interfund transfers were made during the year:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
General Fund	Non-major Governmental Funds	391,242 (1)
	Capital Outlay	318,358 (2)
	Internal Service Funds	2,491 (2)
Capital Outlay Fund	General Fund	8,837,177 (3)
Non-major Governmental Funds	General Fund	1,698,275 (1)
	Capital Outlay Fund	598,016 (1)
Water	General	180,383 (1)
	Sewer	537,454 (1)
Docktown	General	6,210,465 (1)
Internal Service Funds	General Fund	3,352,690 (1)
Total Interfund Transfers		<u>22,126,551</u>

The reasons for these transfers are set forth below:

⁽¹⁾ Allocation of funds to support operations.

⁽²⁾ Reimburse General Fund for interest earned by funds supported by the General Fund.

⁽³⁾ Allocation of funds to construct/purchase general capital assets

B. Short-Term Due to/From other Funds

At the end of the fiscal year the general fund had net utility users tax receivable in the amount of \$967,343. The policy of the City Council dictates the transfer of utility users tax to the capital outlay fund, and once the revenue is received, the general fund will transfer the cash to the capital outlay fund. During FY 2017-18, the affordable housing fund borrowed \$910,000 from the general fund as a short-term borrowing related to a housing project. The \$300,000 is related to the long-term advance and is the current portion due.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount Due to/From</u>
		\$
General Fund	Non Major Governmental Funds	910,000
Capital Outlay Fund	General Fund	967,343
Internal Service Fund	Water Utility Fund	300,000
		<u>2,177,343</u>

NOTE 12 – INTERFUND TRANSFERS AND TRANSACTIONS (CONTINUED)

C. Long-Term Interfund Loans

<u>Fund Receiving Advance</u>	<u>Fund Making Advance</u>	<u>Amount of Advance</u>
		\$
Water Utility Fund	Equipment Service Fund	1,200,000
Docktown Marina	Parking Fund	1,700,000
	Equipment Service Fund	<u>6,000,000</u>
Total Long-term Interfund Loans		<u><u>8,900,000</u></u>

During FY 2012-13, the equipment services internal service fund advanced \$3,000,000 to the water utility enterprise fund for the implementation of the Automated Meter Infrastructure Project to replace water meters. During FY 2013-14 the water utility enterprise fund repaid \$300,000 to the equipment services internal service fund. During FY 2016-17 the water utility enterprise fund repaid \$300,000 to the equipment services internal service Fund. During FY 2017-18 the water utility enterprise fund repaid \$300,000 to the equipment services internal service Fund. As of June 30, 2018, \$300,000 of this advance is considered current. During FY 2017-18, the parking fund and equipment services internal service fund advanced \$7,700,000 to the docktown marina fund for operations.

NOTE 13 - RISK MANAGEMENT AND SELF-INSURANCE FUND

A. Workers’ Compensation and Property Insurance

The City is self-insured for workers’ compensation for the first \$350,000 per occurrence and has a commercial insurance policy that covers the City’s exposure above the retained limits up to the statutory limits required by the State of California. The City paid \$694,236 during FY 2017-18 for the coverage.

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

B. General Liability and Automobile

The City is a member of the Bay Cities Joint Powers Insurance Authority (BCJPIA), which is an insurance pool consisting of 19 San Francisco Bay Area government agencies, which the City uses for general liability and auto liability coverage. In FY 2017-18 the City maintained a \$350,000 self-insured retention with coverage from \$350,000 to \$1,000,000 through the BCJPIA. The purpose of the pool is to provide certain levels of liability coverage, claims administration, and loss control support to member agencies. Annually, each agency pays an actuarially-determined premium based upon a formula which takes into account loss experience, annual payroll, and population. This premium pays for administrative costs and funds liability reserves. The premium paid in FY 2017-18 was \$973,761.

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

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

B. General Liability and Automobile, Continued

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

Audited financial statements are available from the Bay Cities Joint Powers Insurance Authority at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833. The following is the BCJPIA condensed audited financial results for the fiscal year ended June 30, 2018:

Assets	\$ 40,219,180
Reserves for Claims	24,425,292
Liabilities(1)	4,447,733
Net Position Unrestricted	11,346,155
Member Contributions	15,236,366
Other Income	1,562,114
Claims and Claim Adjustment Expenses (2)	3,976,785
Operating Expenses(3)	12,703,336
Change in Net Position	118,359

(1)Excluding claims liabilities

(2)Including change in unpaid claims

(3)Excluding claims and claim adjustment expenses

C. Self-Insurance Fund

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

Changes in the self-insurance fund’s claims payable liability for fiscal years ended 2016, 2017, and 2018 were:

	Beginning Balance	Current Year Claims/Changes in Estimates	Claim Payments	Ending Balance
	\$	\$	\$	\$
2015-16	20,903,558	7,782,145	(5,568,861)	23,116,842
2016-17	23,116,842	4,486,534	(3,822,883)	23,780,493
2017-18	23,780,493	6,743,172	(3,976,982)	26,546,683

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

NOTE 14 - DISSOLUTION OF THE REDWOOD CITY REDEVELOPMENT AGENCY

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

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

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

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

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

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

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

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

Prior to the dissolution of the redevelopment agency, under an agreement with San Mateo County to receive a cumulative \$25 million of the County's share of tax increment and an agreement with the Legal Aid Society to deposit the first \$11.9 million of the \$25 million into the Low and Moderate Income Housing Fund, the agency had deposited \$10.3 million into the Low and Moderate Income Housing Fund as of June 30, 2011. Pursuant to the agreement with the Legal Aid Society to restrict these funds to housing, after the dissolution of the redevelopment agency these funds were deposited into a new fund, Housing Legal Aid Society Fund, to be used for housing purposes. The State Department of Finance (DOF) has disputed that these funds are restricted for housing, and the City has filed a lawsuit against the State of California on this matter.

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

On October 30, 2013 the Superior Court Judge hearing the lawsuit filed against the State of California Department of Finance concerning the \$10.3 million the City is holding in the Housing Legal Aid Society Fund as part of the dissolution of the former Redevelopment Agency issued a tentative ruling in favor of the State of California. On November 6, 2013 the Judge then issued a "Request for Further Briefing" to be held on November 22, 2013. On January 4, 2014 the Superior Court Judge ruled in favor of the State of California. In April 2014, the City filed an appeal, and as of the date of this report, a ruling on the appeal has not been issued. In December 2015, the City remitted \$10.3 million to the DOF, under protest, in order for the Successor Agency to receive a finding of completion.

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

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

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

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:	\$	\$	\$	\$	\$
Land	2,560,739	-	-	-	2,560,739
Total capital assets not being depreciated	<u>2,560,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,560,739</u>
Capital assets being depreciated:					
Improvements other than buildings	13,231,503	-	-	-	13,231,503
Accumulated depreciation	(3,376,827)	(356,054)	-	-	(3,732,881)
Traffic Signals	208,691	-	-	-	208,691
Accumulated depreciation	(88,695)	(10,435)	-	-	(99,130)
Storm Drains	4,101,302	-	-	-	4,101,302
Accumulated depreciation	(1,384,192)	(102,533)	-	-	(1,486,725)
Machinery & Equipment	953,244	-	-	-	953,244
Accumulated depreciation	(506,449)	(46,957)	-	-	(553,406)
Net capital assets being depreciated	<u>13,138,577</u>	<u>(515,979)</u>	<u>-</u>	<u>-</u>	<u>12,622,598</u>
Total capital assets, net	<u>15,699,316</u>	<u>(515,979)</u>	<u>-</u>	<u>-</u>	<u>15,183,337</u>

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

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

Tax Increment Bonds:

2003 Tax Allocation Bonds – In October 2003, the former Redevelopment Agency issued \$33,997,448 in bonds to finance various downtown improvements. These bonds consist of current coupon bonds and capital appreciation bonds. The current coupon bonds pay interest-only through January 15, 2010. Principal on the current coupon bonds is paid in annual installments of \$1,225,000 to \$3,045,000 from July 15, 2010 to July 15, 2014. Payments reflecting interest and principal on the capital appreciation bonds are due in annual installments of \$3,505,000 to \$3,510,000 from July 15, 2016 through July 15, 2032. Total principal and interest remaining on the bonds is \$52,585,000. Payments are made from property tax increment generated by the former redevelopment agency fund.

Change in Debt:

Annual Repayment Requirements for Long-Term Debt:

Year End June 30	Tax Increment Bonds	
	Principal	Interest
	\$	\$
2019	1,663,894	1,841,106
2020	1,557,657	1,947,343
2021	1,450,684	2,054,316
2022	1,352,544	2,152,456
2023	1,256,332	2,248,668
2024-2028	5,168,321	12,361,679
2029-2033	3,831,570	13,698,430
	<u>16,281,002</u>	<u>36,303,998</u>

Amounts due to the City of Redwood City

During FY 2004-05, the capital outlay fund advanced \$3,000,000 to the redevelopment agency fund to finance various downtown improvements. During FY 2008-09 the Redevelopment Agency repaid \$115,622 of the advance, during FY 2009-10 the Redevelopment Agency repaid \$238,439, and during FY 2010-11 the Redevelopment Agency repaid \$248,364. During FY 2011-12 the Redevelopment Agency was dissolved and the advance payable was transferred to the successor agency private purpose trust fund. Prior to the dissolution the Redevelopment Agency repaid \$128,032. During FY 2017-18 the Successor Agency repaid \$1,441,204 to the capital outlay fund. The amounts due to the City has been paid off as of June 30, 2018.

NOTE 15 - LITIGATION AND CONTINGENT LIABILITIES

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

NOTE 15 - LITIGATION AND CONTINGENT LIABILITIES (CONTINUED)

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

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

NOTE 16 - CONSTRUCTION, OTHER SIGNIFICANT COMMITMENTS AND ENCUMBRANCES

As of June 30, 2018, the City has the following significant commitments:

- \$ 713,785 - Professional services related to Planning Cost Recovery
- \$ 5,577,449 - Professional services related to 101/84 Highway Interchange
- \$ 593,206 - Professional services related to Safe Routes to School
- \$ 1,354,451 - Professional services related to Storm Drain Collection System Construction

Purchase orders are issued throughout the fiscal year to encumber the budgets in the governmental funds. Following are the outstanding encumbrances as of June 30, 2018:

Major Funds:		\$
General Fund		1,228,794
Capital Outlay Fund		3,545,425
Total Major Funds		4,774,219
Non-Major Funds		9,496,785
Total Encumbrances		14,271,004

NOTE 17 - SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

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

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

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

NOTE 17 - SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY (CONTINUED)

Audited financial statements are available from the SBWMA, c/o the City of San Carlos, 600 Elm Street, San Carlos, CA 94070. The following is SBWMA's condensed unaudited financial results for the fiscal year ended June 30, 2018:

	\$
Total assets	74,506,626
Total liabilities	<u>54,235,476</u>
Total net position	<u><u>20,271,150</u></u>

NOTE 18 - RELATED PARTY TRANSACTIONS

In June 2000, the City's former Redevelopment Agency authorized a First Time Homebuyer Program targeted to City employees and school teachers from the Redwood City Elementary School District. Under the program, the Agency offered first time homebuyers financial assistance in the purchase of a home within the City of Redwood City. These loans bear no interest and are secured by third deeds of trust on the property. No payments are due until five years after the date of purchase. This loan program was extended to City employees who met the criteria of the program. As of January 31, 2012, the program was discontinued due to the dissolution of the Redevelopment Agency. As of June 30, 2018, one employee had a loan due to the City in the amount of \$29,427.

NOTE 19 - PRIOR PERIOD ADJUSTMENT

The City recorded prior period adjustments to eliminate the previously reported net OPEB obligation, and to recognize deferred outflows of resources and net OPEB liability as of June 30, 2017.

The City recorded a prior period adjustment to adjust the capital assets in government-wide to account for the land transfer from Successor Agency Private-Purpose Trust Fund last fiscal year.

The City recorded a prior period adjustment to adjust the unavailable revenue in transportation grants fund to account for the grants unreceived within 60 days after year end last fiscal year.

The City recorded a prior period adjustment to adjust the deposit payable in general fund to correct the classification of the deposit payable amount in the general fund in the prior fiscal year.

City of Redwood City
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2018

NOTE 19 - PRIOR PERIOD ADJUSTMENT (CONTINUED)

The City recorded a prior period adjustment to adjust the fiduciary activities in general fund to the fiduciary fund to account for the misplaced fiduciary activities in the general fund last year.

	Net Position, as Previously Reported at June 30, 2017	Prior Period Adjustments							Net Position, as Restated at June 30, 2017
		Deferred Employer OPEB Contributions	Net OPEB Obligation	Net OPEB Liability	Deposit Payable	Fiduciary Activities	Non- depreciable Assets	Unavailable Revenue	
Government-Wide Statements									
Governmental Activities	\$ 165,196,458	\$ 5,612,027	\$ 6,488,784	\$ (52,730,241)	\$ 188,881	\$ (60,642)	\$ 559,699	\$ (408,742)	\$ 124,846,224
Business-type Activities	\$ 256,813,788	\$ 559,370	\$ 735,912	\$ (5,874,975)	\$ -	\$ -	\$ -	\$ -	\$ 252,234,095
Governmental Funds									
General Fund	\$ 32,372,509	\$ -	\$ -	\$ -	\$ 188,881	\$ (60,642)	\$ -	\$ -	\$ 32,500,748
Transportation Grants Fund	\$ 7,645,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (408,742)	\$ 7,237,106
Proprietary Funds									
Water Enterprise	\$ 77,311,724	\$ 313,703	\$ 306,124	\$ (2,947,473)	\$ -	\$ -	\$ -	\$ -	\$ 74,984,078
Sewer Enterprise	\$ 103,430,942	\$ 161,467	\$ 115,029	\$ (1,517,167)	\$ -	\$ -	\$ -	\$ -	\$ 102,190,271
Parking Fund	\$ 35,121,250	\$ 75,804	\$ 52,540	\$ (712,258)	\$ -	\$ -	\$ -	\$ -	\$ 34,537,336
Port of Redwood City	\$ 36,538,378	\$ 8,396	\$ 262,219	\$ (698,077)	\$ -	\$ -	\$ -	\$ -	\$ 36,110,916
Internal Services Funds									
Internal Service Funds	\$ 12,160,112	\$ 530,634	\$ 491,322	\$ (4,985,805)	\$ -	\$ -	\$ -	\$ -	\$ 8,196,263
Fiduciary Funds									
Redwood City 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (60,642)	\$ -	\$ -	\$ (60,642)

REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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

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

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

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
	\$	\$	\$	
Fund balance, July 1	32,500,748	32,500,748	32,500,748	
Resources (inflows):				
Property taxes/special assessments	51,953,125	57,631,489	58,217,554	586,065
Sales and other taxes	44,672,802	44,672,802	44,895,740	222,938
Licenses and permits	4,723,468	5,776,200	6,263,392	487,192
Fines, forfeitures and penalties	688,000	743,446	903,204	159,758
Use of money and property	5,312,632	5,035,132	4,894,111	(141,021)
Intergovernmental	3,817,599	6,172,166	5,701,999	(470,167)
Charges for current services	17,215,864	19,549,334	21,113,375	1,564,041
Contributions				
Other	1,153,369	898,362	1,145,725	247,363
Amounts available for appropriation	129,536,859	140,478,931	143,135,100	2,656,169
Charges to appropriations (outflows):				
Current Operations:				
City Council:				
City Council	345,422	346,022	316,661	29,361
Human Services Assistance	59,800	59,800	59,847	(47)
Total City Council	405,222	405,822	376,508	29,314
City Manager:				
Management/Policy execution/ Organizational Efficiencies	1,164,105	1,085,291	978,120	107,171
Communications/Community Engagement	1,089,542	1,406,179	1,072,281	333,898
Economic development	372,071	372,071	389,629	(17,558)
Total City Manager	2,625,718	2,863,541	2,440,030	423,511
City Attorney	1,718,328	1,791,967	1,577,631	214,336
City Clerk:				
City Clerk	732,255	739,455	751,537	(12,082)
Elections	72,439	72,439	22,190	50,249
Council support	37,585	42,335	31,023	11,312
Total City Clerk	842,279	854,229	804,750	49,479

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative) \$
	Original	Final		
	\$	\$		
Community development:				
Planning	2,173,825	2,362,276	1,990,006	372,270
Strategic planning	806,510	1,198,426	870,357	328,069
Building regulation	2,922,975	4,468,141	4,079,661	388,480
Administration	321,408	321,408	285,934	35,474
General engineering	561,741	561,741	615,517	(53,776)
Subdivision engineering	515,794	620,796	554,576	66,220
Code enforcement	1,129,885	969,885	1,020,741	(50,856)
Redevelopment	638,058	778,058	948,454	(170,396)
Total Community Development	9,070,196	11,280,731	10,365,246	915,485
Finance:				
Financial services	1,609,716	1,609,716	1,567,718	41,998
Administrative support services	1,284,471	10,626,861	10,656,547	(29,686)
Public Financing Authority lease payments	744,679	744,679	749,080	(4,401)
Total Finance	3,638,866	12,981,256	12,973,345	7,911
Fire:				
Administration	1,403,023	1,409,865	1,369,964	39,901
Operations	19,724,960	20,705,240	20,629,303	75,937
San Carlos Fire	7,389,734	7,395,458	7,132,092	263,366
Prevention	1,120,314	1,233,532	1,178,574	54,958
Training	313,395	314,147	327,654	(13,507)
Emergency medical services	29,155	32,455	30,000	2,455
Emergency operations	230,912	230,912	212,355	18,557
Total Fire	30,211,493	31,321,609	30,879,942	441,667
Human Resources	1,605,112	1,641,112	1,584,573	56,539
Library:				
Administrative services unit	1,573,779	1,573,779	1,580,869	(7,090)
Downtown library	3,593,172	3,678,772	3,633,399	45,373
Literacy services unit	1,039,574	1,375,398	1,356,900	18,498
Neighborhood libraries and outreach	2,512,278	2,531,220	2,457,020	74,200
Total Library	8,718,803	9,159,169	9,028,188	130,981

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative) \$
	Original	Final	Actual Amounts	
	\$	\$	\$	
Parks, Recreation and Community Services:				
Human Services	1,591,072	1,830,305	1,714,467	115,838
Administration	1,267,532	1,319,221	1,318,324	897
Civic Cultural Commission	58,896	58,896	58,766	130
Landscape maintenance	5,151,242	5,151,242	5,219,730	(68,488)
Youth and teen services	2,900,594	2,900,594	2,743,155	157,439
Sports and aquatics	2,538,840	2,575,336	2,527,360	47,976
Special interest programming/marketing	1,717,495	1,717,495	1,944,104	(226,609)
Community services	1,712,757	1,712,757	1,659,918	52,839
Total Parks, Recreation and Community Services	16,938,428	17,265,846	17,185,824	80,022
Police:				
Administration	8,397,797	8,512,885	8,295,650	217,235
Records	1,187,573	1,187,573	1,024,537	163,036
Training	637,657	1,294,099	744,216	549,883
Property/Evidence	362,558	362,558	336,988	25,570
Police Activities League	129,048	129,048	93,341	35,707
Patrol services	24,883,523	24,255,549	22,588,500	1,667,049
Criminal investigation	5,534,433	5,534,433	6,041,356	(506,923)
Total Police	41,132,589	41,276,145	39,124,588	2,151,557
Public Works:				
Street system maintenance	307,204	307,204	315,446	(8,242)
Street cleaning	262,350	307,350	270,312	37,038
Sidewalk maintenance/Replacement	22,372	22,372	22,372	
Street tree maintenance	866,738	871,813	850,998	20,815
Trash and recycling efforts	18,572	98,622	62,858	35,764
Downtown/Entry feature maintenance	31,889	31,889	23,566	8,323
Storm water collection/Disposal	83,394	83,394	85,461	(2,067)
Total Public Works	1,592,519	1,722,644	1,631,013	91,631
Reimbursement from Other Funds	(2,112,407)	(2,112,407)	(2,112,407)	
Total charges to appropriations	116,387,146	130,451,664	125,859,231	4,592,433
OTHER FINANCING SOURCES (USES)				
Transfers in	968,778	898,359	712,091	(186,268)
Transfers (out)	(12,092,366)	(20,339,228)	(20,278,990)	60,238
Total Other Financing Sources (Uses)	(11,123,588)	(19,440,869)	(19,566,899)	(126,030)
Fund balance, June 30	34,526,873	23,087,146	30,209,718	7,122,572

(Concluded)

NOTE 2 – DEFINED BENEFIT PENSION PLANS

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

Miscellaneous Plan

Measurement Period (1)	2016-17	2015-16	2014-15	2013-14
TOTAL PENSION LIABILITY				
Service Cost	\$ 5,947,899	\$ 4,988,704	\$ 4,787,766	\$ 4,962,237
Interest	21,786,870	20,902,896	19,792,491	18,925,939
Difference Between Expected and Actual Experience	275,278	2,720,291	(546,244)	-
Changes of Assumptions	18,027,744	-	(4,797,291)	-
Benefit Payments, Including Refunds of Employee Contributions	(13,255,651)	(13,150,802)	(12,621,036)	(11,534,695)
Net Change in Total Pension Liability	32,782,140	15,461,089	6,615,686	12,353,481
Total Pension Liability - Beginning	290,062,332	274,601,243	267,985,557	255,632,076
Total Pension Liability - Ending (a)	\$ 322,844,472	\$ 290,062,332	\$ 274,601,243	\$ 267,985,557
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 8,428,180	\$ 7,063,347	\$ 6,882,313	\$ 6,449,302
Contributions - Employee	2,778,380	2,605,290	2,372,657	2,592,457
Net Investment Income (2)	22,220,866	1,020,359	4,413,116	29,955,563
Benefit Payments, Including Refunds of Employee Contributions	(13,255,651)	(13,150,802)	(12,621,036)	(11,534,695)
Other Changes in Fiduciary Net Position	(295,555)	(112,373)	(205,162)	-
Net Change in Fiduciary Net Position	19,876,220	(2,574,179)	841,888	27,462,627
Plan Fiduciary Net Position - Beginning	195,859,694	198,433,873	197,591,985	170,129,358
Plan Fiduciary Net Position - Ending (b)	\$ 215,735,914	\$ 195,859,694	\$ 198,433,873	\$ 197,591,985
Plan Net Position Liability/(Asset) - Ending (a) - (b)	\$ 107,108,558	\$ 94,202,638	\$ 76,167,370	\$ 70,393,572
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.82%	67.52%	72.26%	73.73%
Covered Payroll	\$ 34,756,799	\$ 31,484,407	\$ 28,944,841	\$ 28,592,551
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	308.17%	299.20%	263.15%	246.20%

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

(2) Net of administrative expenses.

NOTE 2 – DEFINED BENEFIT PENSION PLANS, CONTINUED

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

Safety Plan

Measurement Pe ⁽¹⁾	2016-17	2015-16	2014-15	2013-14
TOTAL PENSION LIABILITY				
Service Cost	\$ 8,853,629	\$ 7,609,467	\$ 7,620,719	\$ 6,630,333
Interest	25,379,781	24,274,395	22,992,406	21,880,004
Difference Between Expected and Actual Experience	1,130,542	2,056,832	210,529	-
Changes of Assumptions	21,432,755	-	(5,686,859)	-
Benefit Payments, Including Refunds of Employee Contributions	(18,081,124)	(16,758,122)	(15,054,516)	(14,361,985)
Net Change in Total Pension Liability	38,715,583	17,182,572	10,082,279	14,148,352
Total Pension Liability - Beginning	337,012,416	319,829,844	309,747,565	295,599,213
Total Pension Liability - Ending (a)	\$ 375,727,999	\$ 337,012,416	\$ 319,829,844	\$ 309,747,565
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 11,975,338	\$ 11,288,655	\$ 9,993,967	\$ 7,791,669
Contributions - Employee	2,916,109	2,375,511	2,420,787	2,230,065
Net Investment Income ⁽²⁾	24,645,186	1,179,363	4,953,411	32,968,535
Contributions	(18,081,124)	(16,758,122)	(15,054,516)	(14,361,985)
Other Changes in Fiduciary Net Position	(210,549)	(132,896)	(245,450)	-
Net Change in Fiduciary Net Position	21,244,960	(2,047,489)	2,068,199	28,628,284
Plan Fiduciary Net Position - Beginning	216,012,863	218,060,352	215,992,153	187,363,869
Plan Fiduciary Net Position - Ending (b)	\$ 237,257,823	\$ 216,012,863	\$ 218,060,352	\$ 215,992,153
Plan Net Position Liability/(Asset) - Ending (a) - (b)	\$ 138,470,176	\$ 120,999,553	\$ 101,769,492	\$ 93,755,412
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.15%	64.10%	68.18%	69.73%
Covered Payroll	\$ 27,341,479	\$ 25,867,584	\$ 25,330,626	\$ 21,679,799
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	506.45%	467.77%	401.76%	432.46%

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

(2) Net of administrative expenses.

NOTE 2 – DEFINED BENEFIT PENSION PLANS, CONTINUED

B. Schedule of Plan Contributions

Miscellaneous Plan

	2017-18 (1)	2016-17	2015-16	2014-15
Actuarially determined contribution	\$ 7,527,907	\$ 7,428,605	\$ 6,923,087	\$ 6,799,358
Contribution in relation to the actuarially determined contributions	<u>(7,527,907)</u>	<u>(7,428,605)</u>	<u>(6,923,087)</u>	<u>(6,799,358)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	33,401,807	34,756,799	31,484,407	28,944,841
Contributions as a percentage of covered payroll	22.54%	21.37%	21.66%	23.49%

Safety Plan

	2017-18 (1)	2016-17	2015-16	2014-15
Actuarially determined contribution	\$ 10,880,756	\$ 10,292,946	\$ 10,439,692	\$ 9,667,759
Contribution in relation to the actuarially determined contributions	<u>(10,880,756)</u>	<u>(10,292,946)</u>	<u>(10,439,692)</u>	<u>(9,667,759)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	27,442,920	27,341,479	25,867,584	25,330,626
Contributions as a percentage of covered payroll	39.65%	37.65%	40.36%	38.17%

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

Notes to Schedules

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	21 Years as of valuation date	29 Years as of valuation date
Asset valuation method	15-year smoothed market	15-year smoothed market
Inflation	2.75%	2.75%
Salary increases	Varies by Entry Age and Service	
Payroll growth	3.00%	
Investment rate of return	7.50%, net of pension plan investment expense; including inflation	
Retirement age	The probabilities of retirement are	
Mortality	The probabilities of mortality are based	

NOTE 3 – POST-EMPLOYMENT BENEFITS

A. Schedule of Changes in the Net OPEB liability and Related Ratios

City of Redwood City

<i>Measurement Period</i>	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 2,431,405
Interest on the total OPEB liability	5,420,908
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments, including refunds of employee contributions	<u>(3,117,523)</u>
Net change in total OPEB liability	4,734,790
Total OPEB liability - beginning	<u>79,437,089</u>
Total OPEB liability - ending (a)	<u><u>\$ 84,171,879</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 6,163,000
Net investment income	2,270,291
Benefit payments, including refunds of employee contributions	(3,117,523)
Administrative expense	<u>(11,547)</u>
Net change in plan fiduciary net position	5,304,221
Plan fiduciary net position - beginning	<u>21,529,949</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 26,834,170</u></u>
Net OPEB liability/(asset) - ending (a) - (b)	\$ 57,337,709
Plan fiduciary net position as a percentage of the total OPEB liability	31.9%
Covered-employee payroll	71,831,235
Net OPEB liability as a percentage of covered-employee payroll	79.8%

Notes to Schedule:

Changes in assumptions. Average per capita claims cost was updated to reflect actual 2017 premiums, the health care cost trend rate was updated to reflect 2018 industry survey data, and the mortality table was updated to reflect the most recent CalPERS studies.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

NOTE 3 – POST-EMPLOYMENT BENEFITS

A. Schedule of Changes in the Net OPEB liability and Related Ratios, Continued

Port of Redwood City

<i>Measurement Period</i>	2017
Total OPEB Liability	
Service Cost	\$ 14,623
Interest on the total OPEB liability	20,261
Differences between expected and actual experience	-
Changes of assumptions	(68,366)
Benefit paymens, including refunds of employee contributions	(8,400)
Net change in total OPEB liability	(41,882)
Total OPEB liability - beginning	698,077
Total OPEB liability - ending (a)	\$ 656,195
 Plan Fiduciary Net Position	
Contributions - employer	\$ -
Net investment income	-
Benefit payments, including refunds of employee contributions	-
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ -
Net OPEB liability/(asset) - ending (a) - (b)	\$ 656,195
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered-employee payroll	754,684
Net OPEB liability as a percentage of covered-employee payroll	86.9%

Notes to Schedule:

Changes in assumptions. Average per capita claims cost was updated to reflect actual 2017 premiums, the health care cost trend rate was updated to reflect 2018 industry survey data, and the mortality table was updated to reflect the most recent CalPERS studies.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

NOTE 3 – POST-EMPLOYMENT BENEFITS

B. Schedule of Contributions Last Ten Fiscal Years

City of Redwood City

Fiscal Year Ended June 30	2018
Actuarially Determined Contribution (ADC)	\$ 6,777,000
Contributions in relation to the ADC	6,830,404
Contribution deficiency (excess)	\$ 53,404
2	
Covered-employee payroll	73,121,435
Contributions as a percentage of covered-employee payroll	9.3%

Notes to Schedule:

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Straightline Amortization
Asset Valuation Method	Market value
Inflation	2.75%
Payroll Growth	3% annual increases
Investment Rate of Return	6.75%
Healthcare cost-trend rates	Non-Medicare-6.25% decreasing to 4.75%
	Medicare-6.45% decreasing to 4.75%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

NOTE 3 – POST-EMPLOYMENT BENEFITS

B. Schedule of Contributions Last Ten Fiscal Years, Continued

Port of Redwood City

Fiscal Year Ended June 30	2018
Actuarially Determined Contribution (ADC)	\$ -
Contributions in relation to the ADC	6,300
Contribution deficiency (excess)	6,300
Covered-employee payroll	754,684
Contributions as a percentage of covered-employee payroll	0.8%

Notes to Schedule:

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Straightline Amortization
Asset Valuation Method	Market value
Inflation	2.75%
Payroll Growth	3% annual increases
Investment Rate of Return	3.56%
Healthcare cost-trend rates	6.0% to 8.0%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.



*City of Redwood City
Comprehensive Annual Financial Report
June 30, 2018*

GENERAL FUND

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

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS	\$	\$
Cash and investments available for operations	38,451,592	40,428,443
Receivables (net of allowance for uncollectibles):		
Taxes and assessments - current	6,425,053	6,269,171
Accounts	2,267,125	1,884,492
Loans	906,345	1,035,949
Accrued interest	932,158	640,653
Due from other governmental agencies	3,472,266	3,553,792
Due from other funds	910,000	373,981
Prepaid expenditures	49,862	95,865
Total Assets	53,414,401	54,282,346
LIABILITIES		
Accounts payable	4,427,560	3,701,631
Accrued payroll	2,787,816	2,374,210
Deposits payable	8,394,594	8,930,525
Due to other funds	967,343	839,137
Unearned revenue	6,225,138	6,028,080
Accrued sick leave and vacation - current	13,104	36,254
Total Liabilities	22,815,555	21,909,837
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	389,128	
Total Deferred Inflows of Resources	389,128	
FUND BALANCE		
Nonspendable:		
Loans	906,345	1,035,949
Inventory		
Prepaid items	49,862	95,865
Restricted for:		
Other purposes	1,118,953	96,338
Committed to:		
General plan	2,078,791	837,563
Assigned to:		
Other purposes	1,036,150	884,838
Unassigned:		
City Council directed minimum balance	21,397,679	18,279,679
Residual balance	3,621,938	11,142,277
Total Fund Balance	30,209,718	32,372,509
Total Liabilities and Fund Balance	53,414,401	54,282,346

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
	\$	\$	\$	\$	\$	\$
REVENUES						
Property taxes	57,631,489	58,217,554	586,065	50,266,640	52,433,667	2,167,027
Sales and other taxes	44,672,802	44,895,740	222,938	44,410,305	43,966,255	(444,050)
Licenses and permits	5,776,200	6,263,392	487,192	3,316,000	2,806,816	(509,184)
Fines, forfeitures and penalties	743,446	903,204	159,758	689,000	822,066	133,066
Uses of money and property	5,035,132	5,087,135	52,003	4,694,619	4,637,547	(57,072)
Net increases (decreases) in fair value of investments		(193,024)	(193,024)		44,528	44,528
Intergovernmental	6,172,166	5,701,999	(470,167)	4,677,928	5,758,016	1,080,088
Charges for current services	19,549,334	21,113,375	1,564,041	16,469,228	18,101,567	1,632,339
Other	903,362	1,145,725	242,363	1,343,510	1,052,226	(291,284)
Total revenues	140,483,931	143,135,100	2,651,169	125,867,230	129,622,688	3,755,458
EXPENDITURES						
Community development	11,280,731	10,365,246	915,485	8,860,099	9,067,521	(207,422)
Human services	1,890,105	1,774,314	115,791	1,713,906	1,608,705	105,201
Public safety	72,597,754	70,004,530	2,593,224	69,128,023	67,942,748	1,185,275
Transportation	1,201,389	1,188,816	12,573	1,241,389	1,294,270	(52,881)
Environmental support and protection	521,255	442,197	79,058	304,647	306,872	(2,225)
Leisure, cultural, and information services	24,594,710	24,499,545	95,165	23,333,225	23,991,530	(658,305)
Policy development and implementation	18,365,720	17,584,583	781,137	8,404,568	7,930,340	474,228
Total expenditures	130,451,664	125,859,231	4,592,433	112,985,857	112,141,986	843,871
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,032,267	17,275,869	7,243,602	12,881,373	17,480,702	4,599,329
OTHER FINANCING SOURCES (USES)						
Transfers in	898,359	712,091	(186,268)	650,564	716,554	65,990
Transfers (out)	(20,339,228)	(20,278,990)	60,238	(13,968,962)	(14,262,818)	(293,856)
Total Other Financing Sources (Uses)	(19,440,869)	(19,566,899)	(126,030)	(13,318,398)	(13,546,264)	(227,866)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(9,408,602)	(2,291,030)	7,117,572	(437,025)	3,934,438	4,371,463
Fund balance at beginning of fiscal year, restated		32,500,748			28,438,071	
Fund balance at end of fiscal year		30,209,718			32,372,509	

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2018		Variance with Final Budget Positive (Negative)	2017 Actual
	Budget	Actual		
Property Taxes:	\$	\$	\$	\$
Property taxes - secured and unsecured	57,631,489	58,217,554	586,065	52,433,667
Total Property Taxes	<u>57,631,489</u>	<u>58,217,554</u>	<u>586,065</u>	<u>52,433,667</u>
Sales and Other Taxes:				
Sales tax	23,074,000	22,086,172	(987,828)	22,289,163
Franchises	1,860,000	2,010,316	150,316	1,904,813
Transient occupancy tax	6,669,877	7,585,592	915,715	6,552,893
Property transfer tax	681,488	900,378	218,890	809,638
Business license tax	2,602,700	2,631,212	28,512	2,581,968
Utility users tax	9,784,737	9,682,070	(102,667)	9,827,780
Total Sales and Other Taxes	<u>44,672,802</u>	<u>44,895,740</u>	<u>222,938</u>	<u>43,966,255</u>
Licenses and Permits:				
Building permits	4,590,000	4,751,228	161,228	2,802,609
Fire and other permits	1,186,200	1,512,164	325,964	4,207
Total Licenses and Permits	<u>5,776,200</u>	<u>6,263,392</u>	<u>487,192</u>	<u>2,806,816</u>
Fines, Forfeitures and Penalties:				
Parking fines	743,446	903,204	159,758	822,066
Total Fines, Forfeitures and Penalties	<u>743,446</u>	<u>903,204</u>	<u>159,758</u>	<u>822,066</u>
Uses of Money and Property:				
Right-of-way rent	4,712,632	4,712,632		4,127,619
Rent and concessions	222,500	318,033	95,533	277,088
Interest income	100,000	56,470	(43,530)	232,840
Total Uses of Money and Property	<u>5,035,132</u>	<u>5,087,135</u>	<u>52,003</u>	<u>4,637,547</u>
Net Increase (Decrease) in Fair Value of Investments		(193,024)	(193,024)	44,528
Intergovernmental:				
Motor vehicle in lieu tax		45,059	45,059	58,256
Public safety sales tax	700,000	773,257	73,257	750,082
Police training allowance	10,000	50,352	40,352	10,198
Homeowners' property tax relief	175,000	179,694	4,694	179,590
State mandated programs grant				30,338
Grants - County, State, and Federal	5,287,166	4,653,637	(633,529)	4,301,664
Abandoned vehicle fees				219
Total Intergovernmental	<u>6,172,166</u>	<u>5,701,999</u>	<u>(470,167)</u>	<u>5,330,347</u>
Charges for Current Services:				
Fire services	7,515,998	7,419,882	(96,116)	7,145,422
Police services	182,200	171,882	(10,318)	247,908
Plan checking	1,916,644	2,645,882	729,238	2,348,883
Garbage collections - net	2,466,843	2,482,399	15,556	2,370,984
Engineering services				
Planning services	797,229	718,419	(78,810)	696,512
Library fees	14,000	14,424	424	13,130
Recreation programs	2,906,006	3,710,367	804,361	3,666,710
Other current service charges	3,750,414	3,950,120	199,706	1,612,018
Total Charges for Current Services	<u>19,549,334</u>	<u>21,113,375</u>	<u>1,564,041</u>	<u>18,101,567</u>
Other:				
Port contribution	400,000	517,634	117,634	427,669
Contributions				278,923
Miscellaneous	503,362	628,091	124,729	773,303
Total Other	<u>903,362</u>	<u>1,145,725</u>	<u>242,363</u>	<u>1,479,895</u>
Total Revenue	<u>140,483,931</u>	<u>143,135,100</u>	<u>2,651,169</u>	<u>129,622,688</u>

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2018		Variance with Final Budget Positive (Negative)	2017 Actual
	Budget	Actual		
Community Development:	\$	\$	\$	\$
Community planning	2,362,276	1,990,006	372,270	1,648,540
Strategic planning	1,198,426	870,357	328,069	822,106
Building regulation	4,468,141	4,079,661	388,480	2,554,115
Administration	321,408	285,934	35,474	1,038,038
General engineering	561,741	615,517	(53,776)	334,066
Subdivision engineering	620,796	554,576	66,220	524,298
Code enforcement	969,885	1,020,741	(50,856)	1,168,808
Redevelopment	778,058	948,454	(170,396)	977,550
Total Community Development	<u>11,280,731</u>	<u>10,365,246</u>	<u>915,485</u>	<u>9,067,521</u>
Human Services:				
Human services assistance program	59,800	59,847	(47)	59,847
Social services center	1,830,305	1,714,467	115,838	1,548,858
Total Human Services	<u>1,890,105</u>	<u>1,774,314</u>	<u>115,791</u>	<u>1,608,705</u>
Public Safety:				
Law enforcement	41,276,145	39,124,588	2,151,557	38,824,994
Fire safety	31,321,609	30,879,942	441,667	29,117,754
Total Public Safety	<u>72,597,754</u>	<u>70,004,530</u>	<u>2,593,224</u>	<u>67,942,748</u>
Transportation:				
Street system/sidewalk maintenance, repair	1,201,389	1,188,816	12,573	1,294,270
Total Transportation	<u>1,201,389</u>	<u>1,188,816</u>	<u>12,573</u>	<u>1,294,270</u>
Environmental Support and Protection:				
Trash and recycling efforts	98,622	62,858	35,764	
Street cleaning/storm water collection, disposa	422,633	379,339	43,294	306,872
Total Environmental Support and Protection	<u>521,255</u>	<u>442,197</u>	<u>79,058</u>	<u>306,872</u>
Leisure, Cultural, and Information Services:				
Parks and recreation	15,435,541	15,471,357	(35,816)	15,096,094
Information services	9,159,169	9,028,188	130,981	8,895,436
Total Leisure, Cultural, and Information Services	<u>24,594,710</u>	<u>24,499,545</u>	<u>95,165</u>	<u>23,991,530</u>
Policy Development and Implementation:				
Legislative/policy determination	346,022	316,661	29,361	323,447
Management/policy execution	2,863,541	2,440,030	423,511	2,310,415
Legislative services/records management	854,229	804,750	49,479	838,403
Financial services	1,609,716	1,567,718	41,998	1,546,051
Legal services	1,791,967	1,577,631	214,336	1,579,927
Human Resources	1,641,112	1,584,573	56,539	1,413,384
Other administrative support services	11,371,540	11,405,627	(34,087)	2,129,447
Less reimbursements from other funds	(2,112,407)	(2,112,407)		(2,210,734)
Total Policy Development and Implementation	<u>18,365,720</u>	<u>17,584,583</u>	<u>781,137</u>	<u>7,930,340</u>
Total Expenditures	<u><u>130,451,664</u></u>	<u><u>125,859,231</u></u>	<u><u>4,592,433</u></u>	<u><u>112,141,986</u></u>

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SPECIAL REVENUE FUNDS (CONTINUED)

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

DEBT SERVICE FUNDS

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

Art in Public Places Fund – This fund accounts for revenues and expenditures related to the Art in Public Places Ordinance.

CITY OF REDWOOD CITY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	SPECIAL REVENUE FUNDS				
	Special Gas Tax Street Improvement Fund \$	Transportation Grants Fund \$	Grants Fund \$	Traffic Safety Fund \$	Transportation Fund \$
ASSETS					
Cash and investments available for operations	2,872,627	5,503,611	2,375,586	221,572	1,422,808
Cash and investments, restricted			117,014		
Receivables (net of allowance for uncollectibles):					
Taxes and assessments - current	141,420				161,757
Accounts			59	8,120	
Loans			3,216,784		
Accrued interest			233,421		
Due from other governmental agencies	181,430	3,272,741	74,661	11,681	
Investment in land held for redevelopment			2,410,000		
Total Assets	<u>3,195,477</u>	<u>8,776,352</u>	<u>8,427,525</u>	<u>241,373</u>	<u>1,584,565</u>
LIABILITIES					
Accounts payable	167,396	1,139,768	120,932	101,733	2,667
Deposits payable					
Due to other funds					
Unearned revenue					
Accrued sick leave and vacation					
Total Liabilities	<u>167,396</u>	<u>1,139,768</u>	<u>120,932</u>	<u>101,733</u>	<u>2,667</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - interest		2,193,648	233,421		
Total Deferred Inflows of Resources		<u>2,193,648</u>	<u>233,421</u>		
FUND BALANCES					
Nonspendable:					
Loans					
Land held for redevelopment			2,410,000		
Restricted for:					
Community development			3,928,231		
Public safety				139,640	
Transportation	3,028,081	5,442,936			1,581,898
Environmental support and protection					
Leisure, cultural and information services			1,112,033		
Capital projects					
Housing purposes					
Other purposes					
Committed to:					
Capital projects					
Community benefits					
Human services financial assistance			622,908		
Debt service					
Housing purposes					
Assigned to:					
Community development					
Transportation					
Capital projects					
Unassigned:					
Total Fund Balances	<u>3,028,081</u>	<u>5,442,936</u>	<u>8,073,172</u>	<u>139,640</u>	<u>1,581,898</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>3,195,477</u>	<u>8,776,352</u>	<u>8,427,525</u>	<u>241,373</u>	<u>1,584,565</u>

SPECIAL REVENUE FUNDS

Seaport Landscape Maintenance Fund	Seaport Centre Maintenance Fund	Redwood Shores Maintenance Fund	Redwood Shores Landscape Mtc. Fund	Supplemental Law Enforcement Services Fund	Traffic Mitigation Fees Fund
\$	\$	\$	\$	\$	\$
586,991	2,077,564	1,415,576	33,821	232,706	5,459,897 4,112,141
					14,635
<u>586,991</u>	<u>2,077,564</u>	<u>1,415,576</u>	<u>33,821</u>	<u>232,706</u>	<u>9,586,673</u>
862	480	42,708	17,570		226,524 11,088
<u>862</u>	<u>480</u>	<u>42,708</u>	<u>17,570</u>		<u>237,612</u>
				232,706	
586,129	2,077,084	1,372,868	16,251		9,349,061
<u>586,129</u>	<u>2,077,084</u>	<u>1,372,868</u>	<u>16,251</u>	<u>232,706</u>	<u>9,349,061</u>
<u>586,991</u>	<u>2,077,564</u>	<u>1,415,576</u>	<u>33,821</u>	<u>232,706</u>	<u>9,586,673</u>

CITY OF REDWOOD CITY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	SPECIAL REVENUE FUNDS				
	Low & Moderate Income Housing Asset Fund \$	Planning Cost Recovery Fund \$	Community Benefits Fund \$	Housing Legal Aid Society \$	Facilities Fee Construction Fund \$
ASSETS					
Cash and investments available for operations	5,436,396	(1,521)	2,692,484	164,220	426,072
Cash and investments, restricted					
Receivables (net of allowance for uncollectibles):					
Taxes and assessments - current	2,190				
Accounts					
Loans	5,803,832				
Accrued interest	963,274				
Due from other governmental agencies	20,000				
Investment in land held for redevelopment	3,331,208				
Total Assets	<u>15,556,900</u>	<u>(1,521)</u>	<u>2,692,484</u>	<u>164,220</u>	<u>426,072</u>
LIABILITIES					
Accounts payable	509,636	172,393			
Deposits payable		(170,892)			
Due to other funds	910,000				
Unearned revenue	10,148			32,305	
Accrued sick leave and vacation	2,184				
Total Liabilities	<u>1,431,968</u>	<u>1,501</u>		<u>32,305</u>	
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - interest	963,274				
Total Deferred Inflows of Resources	<u>963,274</u>				
FUND BALANCES					
Nonspendable:					
Loans					
Land held for redevelopment	3,331,208				
Restricted for:					
Community development	5,675,500			131,915	
Public safety					
Transportation					
Environmental support and protection					
Leisure, cultural and information services					
Capital projects					426,072
Housing purposes	2,146,808				
Other purposes					
Committed to:					
Capital projects					
Community benefits			2,692,484		
Human services financial assistance					
Debt service					
Housing purposes	2,008,142				
Assigned to:					
Community development					
Transportation					
Capital projects					
Unassigned:		(3,022)			
Total Fund Balances	<u>13,161,658</u>	<u>(3,022)</u>	<u>2,692,484</u>	<u>131,915</u>	<u>426,072</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>15,556,900</u>	<u>(1,521)</u>	<u>2,692,484</u>	<u>164,220</u>	<u>426,072</u>

CAPITAL PROJECTS FUNDS

Parks Impact and In Lieu Fee Fund \$	Shores Transportation Improvement District Fund \$	One Marina Community Facilities District Fund \$	Art in Public Places Fund \$	Total Nonmajor Governmental Funds \$
21,129,429	598,183	1,240,174	37,813	53,926,009
				4,229,155
				305,367
				8,179
				9,020,616
				1,211,330
25,000				3,585,513
				5,741,208
<u>21,154,429</u>	<u>598,183</u>	<u>1,240,174</u>	<u>37,813</u>	<u>78,027,377</u>
251,635			631	2,754,935
				(159,804)
				910,000
				42,453
				2,184
<u>251,635</u>			<u>631</u>	<u>3,549,768</u>
				3,390,343
				3,390,343
				5,741,208
				9,735,646
				372,346
	598,183			10,651,098
				4,052,332
20,902,794			37,182	22,052,009
		1,240,174		11,015,307
				2,146,808
				2,692,484
				622,908
				2,008,142
				(3,022)
<u>20,902,794</u>	<u>598,183</u>	<u>1,240,174</u>	<u>37,182</u>	<u>71,087,266</u>
<u>21,154,429</u>	<u>598,183</u>	<u>1,240,174</u>	<u>37,813</u>	<u>78,027,377</u>

CITY OF REDWOOD CITY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SPECIAL REVENUE FUNDS

	Special Gas Tax Street Improvement Fund \$	Transportation Grants Fund \$	Grants Fund \$	Traffic Safety Fund \$	Transportation Fund \$	Seaport Landscape Maintenance Fund \$
REVENUES						
Property taxes/special assessments						212,438
Sales and other taxes						
Licenses and permits						
Fines, forfeitures and penalties				155,800		
Use of money and property	(8,310)	34,280	81,346	(11,780)	21,386	3,237
Intergovernmental	2,376,826	1,592,607	410,052		1,984,618	
Contributions		25,000			37,300	
Charges for current services	80,106			14,857		
Other		109,373	22,362	1,863		
Total Revenues	2,448,622	1,761,260	513,760	160,740	2,043,304	215,675
EXPENDITURES						
Current Operations:						
Community development			518,452		125,734	2,519
Human services			100,000			
Public safety						
Transportation	2,010,688	75,423		1,780,579	605,218	
Environmental support and protection	452,600	315,000	3,720			197,015
Leisure, cultural and information services			940			
Policy development and implementation	1,100				258,128	
Capital outlay	839,978	3,165,007				213
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	3,304,366	3,555,430	623,112	1,780,579	989,080	199,747
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(855,744)	(1,794,170)	(109,352)	(1,619,839)	1,054,224	15,928
OTHER FINANCING SOURCES (USES)						
Transfers in	507,717			1,531,057		
Transfers (out)						
Total Other Financing Sources (Uses)	507,717			1,531,057		
Net change in fund balances	(348,027)	(1,794,170)	(109,352)	(88,782)	1,054,224	15,928
Fund balances - beginning	3,376,108	7,237,106	8,182,524	228,422	527,674	570,201
Fund balances - ending	3,028,081	5,442,936	8,073,172	139,640	1,581,898	586,129

SPECIAL REVENUE FUNDS

Seaport Centre Maintenance Fund	Redwood Shores Maintenance Fund	Redwood Shores Landscape Maintenance Fund	Supplemental Law Enforcement Services Fund	Traffic Mitigation Fees Fund
\$	\$	\$	\$	\$
186,949	935,442	251,003		
11,207	8,649 3,250	32	1,049 183,170	47,871 1,714,125
<u>198,156</u>	<u>947,341</u>	<u>251,035</u>	<u>184,219</u>	<u>1,761,996</u>
2,630				
39,460	522,818	311,700	37,575	82,818
				950,648
<u>42,090</u>	<u>522,818</u>	<u>311,700</u>	<u>37,575</u>	<u>1,033,466</u>
<u>156,066</u>	<u>424,523</u>	<u>(60,665)</u>	<u>146,644</u>	<u>728,530</u>
		37,404		
	<u>(391,242)</u>			
	<u>(391,242)</u>	<u>37,404</u>		
156,066	33,281	(23,261)	146,644	728,530
<u>1,921,018</u>	<u>1,339,587</u>	<u>39,512</u>	<u>86,062</u>	<u>8,620,531</u>
<u>2,077,084</u>	<u>1,372,868</u>	<u>16,251</u>	<u>232,706</u>	<u>9,349,061</u>

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUND	
	Low & Moderate Income Housing Asset Fund	Planning Cost Recovery Fund	Community Benefits Fund	Housing Legal Aid Society	Public Financing Authority 2013 Refunding Lease Fund	Facilities Fee Construction Fund
	\$	\$	\$	\$	\$	\$
REVENUES						
Property taxes/special assessments						
Sales and other taxes	10,987					
Licenses and permits						
Fines, forfeitures and penalties						
Use of money and property	39,630		9,495	956	689,612	2,480
Intergovernmental	9,853					
Contributions			398,250			
Charges for current services	1,338,767	851,982				
Other	264				10,217	
	<u>1,399,501</u>	<u>851,982</u>	<u>407,745</u>	<u>956</u>	<u>699,829</u>	<u>2,480</u>
Total Revenues						
EXPENDITURES						
Current Operations:						
Community development	338,150	851,982		1		
Human services						
Public safety						
Transportation						
Environmental support and protection						
Leisure, cultural and information services						
Policy development and implementation						
Capital outlay						
Debt service:						
Principal retirement					687,180	
Interest and fiscal charges					13,154	
	<u>338,150</u>	<u>851,982</u>		<u>1</u>	<u>700,334</u>	
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,061,351</u>		<u>407,745</u>	<u>955</u>	<u>(505)</u>	<u>2,480</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	129,814					
Transfers (out)						
	<u>129,814</u>					
Total Other Financing Sources (Uses)						
Net change in fund balances	1,191,165		407,745	955	(505)	2,480
Fund balances - beginning	11,970,493	(3,022)	2,284,739	130,960	505	423,592
Fund balances - ending	<u>13,161,658</u>	<u>(3,022)</u>	<u>2,692,484</u>	<u>131,915</u>		<u>426,072</u>

CAPITAL PROJECTS FUNDS				
Parks Impact and In Lieu Fee Fund \$	Shores Transportation Improvement District Fund \$	One Marina Community Facilities District Fund \$	Art in Public Places Fund \$	Total Nonmajor Governmental Funds \$
				1,585,832
				10,987
3,556,983				3,556,983
				155,800
114,398	3,483	7,220	(479)	1,055,762
25,000				8,299,501
			350	460,900
				2,285,712
				144,079
<u>3,696,381</u>	<u>3,483</u>	<u>7,220</u>	<u>(129)</u>	<u>17,555,556</u>
				1,839,468
				100,000
				37,575
				4,554,726
				1,530,613
73,589				386,229
			54,361	313,589
2,201,883				7,157,729
				687,180
				13,154
<u>2,275,472</u>			<u>54,361</u>	<u>16,620,263</u>
<u>1,420,909</u>	<u>3,483</u>	<u>7,220</u>	<u>(54,490)</u>	<u>935,293</u>
			90,299	2,296,291
				(391,242)
			90,299	1,905,049
1,420,909	3,483	7,220	35,809	2,840,342
19,481,885	594,700	1,232,954	1,373	68,246,924
<u>20,902,794</u>	<u>598,183</u>	<u>1,240,174</u>	<u>37,182</u>	<u>71,087,266</u>

CITY OF REDWOOD CITY, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	SPECIAL GAS TAX STREET IMPROVEMENT FUND			TRANSPORTATION GRANTS FUND		
	Budget \$	Actual \$	Variance with Final Budget Positive (Negative) \$	Budget \$	Actual \$	Variance with Final Budget Positive (Negative) \$
REVENUES						
Property taxes/special assessments						
Sales and other taxes						
Licenses and permits						
Fines, forfeitures and penalties						
Use of money and property		(8,310)	(8,310)	61,741	34,280	(27,461)
Intergovernmental	2,398,229	2,376,826	(21,403)	14,858,661	1,592,607	(13,266,054)
Contributions				4,000,000	25,000	(3,975,000)
Charges for current services Other	10,000	80,106	70,106			
				109,373	109,373	
Total Revenues	2,408,229	2,448,622	40,393	19,029,775	1,761,260	(17,268,515)
EXPENDITURES						
Current operations:						
Community development						
Human services						
Public safety						
Transportation	2,229,980	2,010,688	219,292	4,438,576	75,423	4,363,153
Environmental support and protection	590,303	452,600	137,703	315,000	315,000	
Leisure, cultural and information services						
Policy development and implementation		1,100	(1,100)			
Capital outlay	3,288,099	839,978	2,448,121	22,166,942	3,165,007	19,001,935
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	6,108,382	3,304,366	2,804,016	26,920,518	3,555,430	23,365,088
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,700,153)	(855,744)	2,844,409	(7,890,743)	(1,794,170)	6,096,573
OTHER FINANCING SOURCES (USES)						
Transfers in	1,964,065	1,350,581	(613,484)			
Transfers (out)	(842,864)	(842,864)				
Total Other Financing Sources (Uses)	1,121,201	507,717	(613,484)			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(2,578,952)	(348,027)	2,230,925	(7,890,743)	(1,794,170)	6,096,573
Funds not budgeted:						
Facilities Fee Construction Fund						
Shores Transportation Improvement District						
One Marina Community Facilities District						
Art in Public Places						
Fund balances - beginning		3,376,108			7,237,106	
Fund balances - ending		3,028,081			5,442,936	

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

GRANTS FUND			TRAFFIC SAFETY FUND			TRANSPORTATION FUND		
Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$
			270,000	155,800	(114,200)			
39,000	81,346	42,346	(4,000)	(11,780)	(7,780)	69,000	21,386	(47,614)
1,160,000	410,052	(749,948)					1,984,618	1,984,618
			7,000	14,857	7,857		37,300	37,300
	22,362	22,362		1,863	1,863			
<u>1,199,000</u>	<u>513,760</u>	<u>(685,240)</u>	<u>273,000</u>	<u>160,740</u>	<u>(112,260)</u>	<u>69,000</u>	<u>2,043,304</u>	<u>1,974,304</u>
2,788,647	518,452	2,270,195				177,217	125,734	51,483
100,000	100,000							
	3,720	(3,720)	1,930,018	1,780,579	149,439	1,803,780	605,218	1,198,562
	940	(940)						
859,460		859,460				246,987	258,128	(11,141)
						547,845		547,845
<u>3,748,107</u>	<u>623,112</u>	<u>3,124,995</u>	<u>1,930,018</u>	<u>1,780,579</u>	<u>149,439</u>	<u>2,775,829</u>	<u>989,080</u>	<u>1,786,749</u>
<u>(2,549,107)</u>	<u>(109,352)</u>	<u>2,439,755</u>	<u>(1,657,018)</u>	<u>(1,619,839)</u>	<u>37,179</u>	<u>(2,706,829)</u>	<u>1,054,224</u>	<u>3,761,053</u>
			1,410,123	1,531,057	120,934			
			1,410,123	1,531,057	120,934			
<u>(2,549,107)</u>	<u>(109,352)</u>	<u>2,439,755</u>	<u>(246,895)</u>	<u>(88,782)</u>	<u>158,113</u>	<u>(2,706,829)</u>	<u>1,054,224</u>	<u>3,761,053</u>
	<u>8,182,524</u>			<u>228,422</u>			<u>527,674</u>	
	<u>8,073,172</u>			<u>139,640</u>			<u>1,581,898</u>	

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	SEAPORT LANDSCAPE MAINTENANCE FUND			SEAPORT CENTRE MAINTENANCE FUND		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
	\$	\$	\$	\$	\$	\$
REVENUES						
Property taxes/special assessments	212,500	212,438	(62)	187,000	186,949	(51)
Sales and other taxes						
Licenses and permits						
Fines, forfeitures and penalties						
Use of money and property	5,800	3,237	(2,563)	20,000	11,207	(8,793)
Intergovernmental						
Contributions						
Charges for current services						
Other						
Total Revenues	218,300	215,675	(2,625)	207,000	198,156	(8,844)
Current operations:						
Community development	4,466	2,519	1,947	4,532	2,630	1,902
Human services						
Public safety						
Transportation						
Environmental support and protection	237,938	197,015	40,923	123,611	39,460	84,151
Leisure, cultural and information services						
Policy development and implementation						
Capital outlay	1,024	213	811	467,135		467,135
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	243,428	199,747	43,681	595,278	42,090	553,188
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(25,128)	15,928	41,056	(388,278)	156,066	544,344
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(25,128)	15,928	41,056	(388,278)	156,066	544,344
Funds not budgeted:						
Facilities Fee Construction Fund						
Shores Transportation Improvement District						
One Marina Community Facilities District						
Art in Public Places						
Fund balances - beginning		570,201			1,921,018	
Fund balances - ending		586,129			2,077,084	

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

REDWOOD SHORES MAINTENANCE FUND			REDWOOD SHORES LANDSCAPE MAINTENANCE FUND			SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND		
Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$
847,200	935,442	88,242	251,997	251,003	(994)			
15,000	8,649	(6,351)		32	32	2,000	1,049	(951)
3,700	3,250	(450)					183,170	183,170
<u>865,900</u>	<u>947,341</u>	<u>81,441</u>	<u>251,997</u>	<u>251,035</u>	<u>(962)</u>	<u>2,000</u>	<u>184,219</u>	<u>182,219</u>
						127,670	37,575	90,095
558,371	522,818	35,553	286,360	311,700	(25,340)			
755,011		755,011						
<u>1,313,382</u>	<u>522,818</u>	<u>790,564</u>	<u>286,360</u>	<u>311,700</u>	<u>(25,340)</u>	<u>127,670</u>	<u>37,575</u>	<u>90,095</u>
<u>(447,482)</u>	<u>424,523</u>	<u>872,005</u>	<u>(34,363)</u>	<u>(60,665)</u>	<u>(26,302)</u>	<u>(125,670)</u>	<u>146,644</u>	<u>272,314</u>
<u>(364,190)</u>	<u>(391,242)</u>	<u>(27,052)</u>	<u>34,363</u>	<u>37,404</u>	<u>3,041</u>			
<u>(364,190)</u>	<u>(391,242)</u>	<u>(27,052)</u>	<u>34,363</u>	<u>37,404</u>	<u>3,041</u>			
<u>(811,672)</u>	33,281	<u>844,953</u>		(23,261)	<u>(23,261)</u>	<u>(125,670)</u>	146,644	<u>272,314</u>
	<u>1,339,587</u>			<u>39,512</u>			<u>86,062</u>	
	<u>1,372,868</u>			<u>16,251</u>			<u>232,706</u>	

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	TRAFFIC MITIGATION FEES FUND			LOW AND MODERATE INCOME HOUSING ASSET FUND		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
	\$	\$	\$	\$	\$	\$
REVENUES						
Property taxes/special assessments						
Sales and other taxes					10,987	10,987
Licenses and permits						
Fines, forfeitures and penalties						
Use of money and property	61,000	47,871	(13,129)	57,000	39,630	(17,370)
Intergovernmental	500,000	1,714,125	1,214,125		9,853	9,853
Contributions						
Charges for current services				300,000	1,338,767	1,038,767
Other					264	264
Total Revenues	561,000	1,761,996	1,200,996	357,000	1,399,501	1,042,501
Current operations:						
Community development				340,077	338,150	1,927
Human services						
Public safety						
Transportation	554,967	82,818	472,149			
Environmental support and protection						
Leisure, cultural and information services						
Policy development and implementation						
Capital outlay	4,710,968	950,648	3,760,320	693,100		693,100
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	5,265,935	1,033,466	4,232,469	1,033,177	338,150	695,027
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,704,935)	728,530	5,433,465	(676,177)	1,061,351	1,737,528
OTHER FINANCING SOURCES (USES)						
Transfers in				471,784	129,814	(341,970)
Transfers (out)						
Total Other Financing Sources (Uses)				471,784	129,814	(341,970)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(4,704,935)	728,530	5,433,465	(204,393)	1,191,165	1,395,558
Funds not budgeted:						
Facilities Fee Construction Fund						
Shores Transportation Improvement District						
One Marina Community Facilities District						
Art in Public Places						
Fund balances - beginning		8,620,531			11,970,493	
Fund balances - ending		9,349,061			13,161,658	

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

PLANNING COST RECOVERY FUND			COMMUNITY BENEFITS FUND			HOUSING LEGAL AID SOCIETY		
Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$
			10,000	9,495	(505)	18,000	956	(17,044)
800,000	851,982	51,982		398,250	398,250			
800,000	851,982	51,982	10,000	407,745	397,745	18,000	956	(17,044)
1,724,826	851,982	872,844					1	(1)
1,724,826	851,982	872,844					1	(1)
(924,826)		924,826	10,000	407,745	397,745	18,000	955	(17,045)
(924,826)		924,826	10,000	407,745	397,745	18,000	955	(17,045)
	(3,022)			2,284,739			130,960	
	(3,022)			2,692,484			131,915	

CITY OF REDWOOD CITY, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	PUBLIC FINANCING AUTHORITY 2013 REFUNDING LEASE FUND			PARK IMPACT AND IN LIEU FEE FUND		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
	\$	\$	\$	\$	\$	\$
REVENUES						
Property taxes/special assessments						
Sales and other taxes						
Licenses and permits				2,000,000	3,556,983	1,556,983
Fines, forfeitures and penalties						
Use of money and property	700,220	689,612	(10,608)	214,000	114,398	(99,602)
Intergovernmental					25,000	25,000
Contributions						
Charges for current services						
Other		10,217	10,217			
Total Revenues	700,220	699,829	(391)	2,214,000	3,696,381	1,482,381
Current operations:						
Community development						
Human services						
Public safety						
Transportation						
Environmental support and protection						
Leisure, cultural and information services				6,845,314	73,589	6,771,725
Policy development and implementation						
Capital outlay				10,127,133	2,201,883	7,925,250
Debt service:						
Principal retirement	687,180	687,180				
Interest and fiscal charges	13,039	13,154	(115)			
Total Expenditures	700,219	700,334	(115)	16,972,447	2,275,472	14,696,975
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1	(505)	(506)	(14,758,447)	1,420,909	16,179,356
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1	(505)	(506)	(14,758,447)	1,420,909	16,179,356
Funds not budgeted:						
Facilities Fee Construction Fund						
Shores Transportation Improvement District						
One Marina Community Facilities District						
Art in Public Places						
Fund balances - beginning		505			19,481,885	
Fund balances - ending					20,902,794	

(Continued)

(Continued)

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

TOTALS		
Budget	Actual	Variance with Final Budget Positive (Negative)
\$	\$	\$
1,498,697	1,585,832	87,135
	10,987	10,987
2,000,000	3,556,983	1,556,983
270,000	155,800	(114,200)
1,268,761	1,043,058	(225,703)
18,920,590	8,299,501	(10,621,089)
4,000,000	460,550	(3,539,450)
1,117,000	2,285,712	1,168,712
109,373	144,079	34,706
<u>29,184,421</u>	<u>17,542,502</u>	<u>(11,641,919)</u>
5,039,765	1,839,468	3,200,297
100,000	100,000	
127,670	37,575	90,095
10,957,321	4,554,726	6,402,595
1,825,223	1,530,613	294,610
7,131,674	386,229	6,745,445
246,987	259,228	(12,241)
43,616,717	7,157,729	36,458,988
687,180	687,180	
13,039	13,154	(115)
<u>69,745,576</u>	<u>16,565,902</u>	<u>53,179,674</u>
<u>(40,561,155)</u>	<u>976,600</u>	<u>41,537,755</u>
3,880,335	3,048,856	(831,479)
<u>(1,207,054)</u>	<u>(1,234,106)</u>	<u>(27,052)</u>
<u>2,673,281</u>	<u>1,814,750</u>	<u>(858,531)</u>
<u>(37,887,874)</u>	<u>2,791,350</u>	<u>40,679,224</u>
	426,072	
	598,183	
	1,240,174	
	37,182	
	<u>65,994,305</u>	
	<u>71,087,266</u>	



*City of Redwood City
Comprehensive Annual Financial Report
June 30, 2018*

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF REDWOOD CITY, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Equipment Services Fund	Self Insurance Fund	Internal Services Fund	Employee Benefits Fund	Total
ASSETS	\$	\$	\$	\$	\$
Current assets:					
Cash and investments available for operations	8,754,974	29,264,037	121,748	1,144,679	39,285,438
Receivables (net of allowance for uncollectibles)					
Accounts	3,069		5,583		8,652
Accrued interest	14,133				14,133
Due from other governmental agencies	40,633		239,118		279,751
Due from other funds	300,000				300,000
Inventory of supplies at cost	127,429				127,429
Deposits		610,000			610,000
Prepaid items and other assets	3,498		49,730		53,228
Total current assets	<u>9,243,736</u>	<u>29,874,037</u>	<u>416,179</u>	<u>1,144,679</u>	<u>40,678,631</u>
Noncurrent assets:					
Advances to other funds	7,200,000				7,200,000
Capital assets:					
Construction in progress	575,463				575,463
Equipment, net	7,500,932		993,218		8,494,150
Net capital assets	<u>8,076,395</u>		<u>993,218</u>		<u>9,069,613</u>
Total noncurrent assets	<u>15,276,395</u>		<u>993,218</u>		<u>16,269,613</u>
Total assets	<u>24,520,131</u>	<u>29,874,037</u>	<u>1,409,397</u>	<u>1,144,679</u>	<u>56,948,244</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pension	292,972	127,897	2,296,187		2,717,056
Deferred employer pension contributions	148,300	64,740	1,162,309		1,375,349
Deferred employer OPEB contributions	69,670	27,322	491,106		588,098
Total deferred outflows of resources	<u>510,942</u>	<u>219,959</u>	<u>3,949,602</u>		<u>4,680,503</u>
LIABILITIES					
Current liabilities:					
Accounts payable	133,780	202,189	174,914		510,883
Insurance claims payable - current portion		4,674,166			4,674,166
Accrued sick leave and vacation - current portion	51,633	6,813	370,743		429,189
Unearned revenue					
Total current liabilities	<u>185,413</u>	<u>4,883,168</u>	<u>545,657</u>		<u>5,614,238</u>
Noncurrent liabilities:					
Insurance claims payable		21,872,517			21,872,517
Accrued sick leave and vacation	83,080		558,341		641,421
Net OPEB Liability	584,845	229,351	4,122,581		4,936,777
Net pension liability	2,110,040	921,134	16,537,561		19,568,735
Total noncurrent liabilities	<u>2,777,965</u>	<u>23,023,002</u>	<u>21,218,483</u>		<u>47,019,450</u>
Total liabilities	<u>2,963,378</u>	<u>27,906,170</u>	<u>21,764,140</u>		<u>52,633,688</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - OPEB	5,831	2,287	41,105		49,223
NET POSITION					
Invested in capital assets	8,076,395		993,218		9,069,613
Unrestricted	13,985,469	2,185,539	(17,439,464)	1,144,679	(123,777)
Total net position	<u>22,061,864</u>	<u>2,185,539</u>	<u>(16,446,246)</u>	<u>1,144,679</u>	<u>8,945,836</u>

CITY OF REDWOOD CITY, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Equipment Services Fund	Self Insurance Fund	Internal Services Fund	Employee Benefits Fund	Total
	\$	\$	\$	\$	\$
OPERATING REVENUES					
Charges for services	4,705,502	9,334,272	11,219,472	8,176,489	33,435,735
OPERATING EXPENSES					
Employee services	1,059,173	430,890	8,547,034	7,722,438	17,759,535
Maintenance	45,411	14,814	777,101		837,326
Utilities	27,032	4,689	16,545		48,266
Contractual services	46,056	1,279,943	38,993	19,006	1,383,998
Supplies and services	1,508,020	599,303	2,886,638		4,993,961
Depreciation	1,211,585		173,777		1,385,362
Insurance and claims	154,753	8,678,757	197,968	909,190	9,940,668
Total operating expenses	4,052,030	11,008,396	12,638,056	8,650,634	36,349,116
Operating Income (Loss)	653,472	(1,674,124)	(1,418,584)	(474,145)	(2,913,381)
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of capital assets	(104,060)				(104,060)
Investment earnings	133,542	143,995	3,136	13,850	294,523
Insurance recovery	2,441		2,050		4,491
Net Nonoperating Revenues (Expenses)	31,923	143,995	5,186	13,850	194,954
Net Income (Loss) Before Capital Contributions and Transfers	685,395	(1,530,129)	(1,413,398)	(460,295)	(2,718,427)
Capital contributions			117,801		117,801
Transfers in		2,968,190	384,500		3,352,690
Transfers (out)			(2,491)		(2,491)
Total Capital Contributions and Transfers		2,968,190	499,810		3,468,000
Change in net position	685,395	1,438,061	(913,588)	(460,295)	749,573
Net position - beginning, restated	21,376,469	747,478	(15,532,658)	1,604,974	8,196,263
Net position - ending	22,061,864	2,185,539	(16,446,246)	1,144,679	8,945,836

CITY OF REDWOOD CITY, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Equipment Services Fund	Self Insurance Fund	Internal Services Fund	Employee Benefits Fund	Total
	\$	\$	\$	\$	\$
Cash flows from operating activities:					
Cash received from interfund services provided	4,703,597	9,395,930	11,214,827	8,176,489	33,490,843
Cash payments to suppliers for goods and services	(1,761,731)	(7,934,504)	(3,949,818)	(928,713)	(14,574,766)
Cash payments to employees for services	(887,367)	(360,615)	(7,704,710)	(7,722,438)	(16,675,130)
Net cash provided by (used in) operating activities	<u>2,054,499</u>	<u>1,100,811</u>	<u>(439,701)</u>	<u>(474,662)</u>	<u>2,240,947</u>
Cash flows from noncapital financing activities					
Insurance recovery	2,441		2,050		4,491
Transfers in		2,968,190	384,500		3,352,690
Transfers out			(2,491)		(2,491)
Advances to other funds	(5,700,000)				(5,700,000)
Net cash provided by (used in) non-capital financing activities	<u>(5,697,559)</u>	<u>2,968,190</u>	<u>384,059</u>		<u>(2,345,310)</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(1,592,644)		(446,677)		(2,039,321)
Contributions			117,801		117,801
Net cash used in capital and related financing activities	<u>(1,592,644)</u>		<u>(328,876)</u>		<u>(1,921,520)</u>
Cash flows from investing activities:					
Interest on investments	127,621	143,995	3,136	13,850	288,602
Net cash provided by investing activities	<u>127,621</u>	<u>143,995</u>	<u>3,136</u>	<u>13,850</u>	<u>288,602</u>
Net increase (decrease) in cash and cash equivalents	(5,108,083)	4,212,996	(381,382)	(460,812)	(1,737,281)
Cash and cash equivalents at beginning of year	<u>13,863,057</u>	<u>25,051,041</u>	<u>503,130</u>	<u>1,605,491</u>	<u>41,022,719</u>
Cash and cash equivalents at end of year	<u>8,754,974</u>	<u>29,264,037</u>	<u>121,748</u>	<u>1,144,679</u>	<u>39,285,438</u>
Reconciliation of Net Cash Flow from Operating Activities					
Operating income (loss)	653,472	(1,674,124)	(1,418,584)	(474,145)	(2,913,381)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:					
Depreciation	1,211,585		173,777		1,385,362
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(3,069)	61,658	(5,583)		53,006
Decrease (increase) in due from other governmental agencies	1,164		938		2,102
Decrease (increase) in inventory/prepaid expense/deposits	10,145	(75,000)	1,774		(63,081)
Decrease (increase) in deferred outflows - pension	(47,372)	(24,652)	(362,043)		(434,067)
Decrease (increase) in deferred employer pension contributions	7,869	897	(47,780)		(39,014)
Decrease (increase) in deferred employer OPEB contributions	(6,808)	(2,670)	(47,986)		(57,464)
Increase (decrease) in vacation & sick leave payable	12,420	6,812	40,201		59,433
Increase (decrease) in accounts payable	9,396	(58,188)	(34,347)	(517)	(83,656)
Increase (decrease) in deferred inflows - pension	(26,127)	(11,941)	(378,879)		(416,947)
Increase (decrease) in net pension liability	231,801	101,820	1,638,648		1,972,269
Increase (decrease) in net OPEB liability	(5,808)	(2,278)	(40,942)		(49,028)
Increase (decrease) in deferred inflows - OPEB	5,831	2,287	41,105		49,223
Increase (decrease) in insurance claims payable		2,776,190			2,776,190
Total adjustments	<u>1,401,027</u>	<u>2,774,935</u>	<u>978,883</u>	<u>(517)</u>	<u>5,154,328</u>
Net cash provided by (used in) operating activities	<u>2,054,499</u>	<u>1,100,811</u>	<u>(439,701)</u>	<u>(474,662)</u>	<u>2,240,947</u>
Noncash investing, capital and financing activities:					
Gain (loss) on disposal of equipment	(104,060)				(104,060)

AGENCY FUNDS

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

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

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

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

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

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

Redwood City 2020 Fund – This fund accounts for the operations of Redwood City 2020, a collaboration of eight core partners, which was established to improve the health and success of Redwood City and North Fair Oaks.

CITY OF REDWOOD CITY, CALIFORNIA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017 \$	Additions \$	Withdrawals \$	Balance June 30, 2018 \$
EMPLOYEE BENEFIT PLANS				
ASSETS				
Cash and Investments, restricted	31,076	31,319	(11,640)	50,755
Cafeteria Benefits Plan				
Deposits	29,505			29,505
Total Assets	<u>60,581</u>	<u>31,319</u>	<u>(11,640)</u>	<u>80,260</u>
LIABILITIES				
Cafeteria Benefits Plan Payable	60,581	31,319	(11,640)	80,260
Total Liabilities	<u>60,581</u>	<u>31,319</u>	<u>(11,640)</u>	<u>80,260</u>
PACIFIC SHORES COMMUNITY FACILITIES DISTRICT				
ASSETS				
Cash and Investments, restricted	15,330	3,725		19,055
Total Assets	<u>15,330</u>	<u>3,725</u>		<u>19,055</u>
LIABILITIES				
Due to Bondholders	15,330	3,725		19,055
Total Liabilities	<u>15,330</u>	<u>3,725</u>		<u>19,055</u>
SHORES TRANSPORTATION IMPROVEMENT DISTRICT				
ASSETS				
Cash and Investments, restricted	1,396,835	771,970	(791,491)	1,377,314
Total Assets	<u>1,396,835</u>	<u>771,970</u>	<u>(791,491)</u>	<u>1,377,314</u>
LIABILITIES				
Due to Bondholders	1,396,835	771,970	(791,491)	1,377,314
Total Liabilities	<u>1,396,835</u>	<u>771,970</u>	<u>(791,491)</u>	<u>1,377,314</u>
ONE MARINA COMMUNITY FACILITIES DISTRICT				
ASSETS				
Cash and Investments, restricted	450,422	278,718	(279,481)	449,659
Total Assets	<u>450,422</u>	<u>278,718</u>	<u>(279,481)</u>	<u>449,659</u>
LIABILITIES				
Due to Bondholders	450,422	278,718	(279,481)	449,659
Total Liabilities	<u>450,422</u>	<u>278,718</u>	<u>(279,481)</u>	<u>449,659</u>
COMMUNITY BENEFIT IMPROVEMENT DISTRICT				
ASSETS				
Cash and Investments, restricted	449,382		(60,166)	389,216
Total Assets	<u>449,382</u>		<u>(60,166)</u>	<u>389,216</u>
LIABILITIES				
Due to Community Benefit Improvement District	449,382		(60,166)	389,216
Total Liabilities	<u>449,382</u>		<u>(60,166)</u>	<u>389,216</u>
REDWOOD CITY 2020 AGENCY FUND				
ASSETS				
Cash and Investments, restricted	544,298	121,031	(369,460)	295,869
Accounts Receivable		145,570		145,570
Due from other governmental agency	56,664	7,859	(56,664)	7,859
Total Assets	<u>600,962</u>	<u>274,460</u>	<u>(426,124)</u>	<u>449,298</u>
LIABILITIES				
Accounts payable	114,404	81,749	(114,104)	82,049
Deposit payable	188,879	3,955	(192,834)	
Due to the Redwood City 2020 - Restated	297,679	188,756	(119,186)	367,249
Total Liabilities	<u>600,962</u>	<u>274,460</u>	<u>(426,124)</u>	<u>449,298</u>
TOTAL FOR ALL FUNDS				
ASSETS				
Cash and Investments, restricted	2,887,343	1,206,763	(1,512,238)	2,581,868
Deposits	29,505			29,505
Accounts Receivable		145,570		145,570
Due from other governmental agency	56,664	7,859	(56,664)	7,859
Total Assets	<u>2,973,512</u>	<u>1,360,192</u>	<u>(1,568,902)</u>	<u>2,764,802</u>
LIABILITIES				
Accounts payable	114,404	81,749	(114,104)	82,049
Deposit payable	188,879	3,955	(192,834)	
Due to Redwood City 2020	297,679	188,756	(119,186)	367,249
Due to Bondholders	1,862,587	1,054,413	(1,070,972)	1,846,028
Employee Benefit Plans Payable	60,581	31,319	(11,640)	80,260
Due to Community Benefit Improvement District	449,382		(60,166)	389,216
Total Liabilities	<u>2,973,512</u>	<u>1,360,192</u>	<u>(1,568,902)</u>	<u>2,764,802</u>

Statistical Section

This part of the City of Redwood City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	136-143
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	144-147
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	148-152
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	153-155
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	156-158

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

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

	Fiscal Year				
	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$
Governmental activities					
Net investment in capital assets	161,627,155	169,093,206	169,197,701	185,512,524	190,190,522
Restricted	52,368,702	54,628,813	48,959,550	39,238,667	43,957,061
Unrestricted	49,292,416	37,166,449	42,990,998	48,138,559	48,015,241
Total governmental activities net position	<u>263,288,273</u>	<u>260,888,468</u>	<u>261,148,249</u>	<u>272,889,750</u>	<u>282,162,824</u>
Business-type activities					
Net investment in capital assets	81,617,178	90,877,809	101,835,656	107,036,885	110,901,151
Restricted	5,548,281	5,660,219	5,838,632	5,868,399	6,637,669
Unrestricted	55,230,314	64,022,824	65,532,636	69,695,347	76,506,675
Total business-type activities net position	<u>142,395,773</u>	<u>160,560,852</u>	<u>173,206,924</u>	<u>182,600,631</u>	<u>194,045,495</u>
Primary government					
Net investment in capital assets	243,244,333	259,971,015	271,033,357	292,549,409	301,091,673
Restricted	57,916,983	60,289,032	54,798,182	45,107,066	50,594,730
Unrestricted	104,522,730	101,189,273	108,523,634	117,833,906	124,521,916
Total primary government net position	<u>405,684,046</u>	<u>421,449,320</u>	<u>434,355,173</u>	<u>455,490,381</u>	<u>476,208,319</u>

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

Fiscal Year				
2014	2015	2016	2017	2018
\$	\$	\$	\$	\$
184,624,589	184,443,023	191,852,192	192,119,780	199,264,092
49,268,810	57,862,400	60,812,081	59,815,017	64,923,970
60,038,520	(92,052,768)	(92,972,897)	(86,738,339)	(139,526,572)
<u>293,931,919</u>	<u>150,252,655</u>	<u>159,691,376</u>	<u>165,196,458</u>	<u>124,661,490</u>
117,927,502	125,259,418	132,569,634	142,830,042	161,938,470
6,553,008	5,741,555	5,662,466	6,227,197	9,543,183
92,340,047	84,191,383	98,141,410	107,756,549	86,001,351
<u>216,820,557</u>	<u>215,192,356</u>	<u>236,373,510</u>	<u>256,813,788</u>	<u>257,483,004</u>
302,552,091	309,702,441	324,421,826	355,707,344	361,202,562
55,821,818	63,603,955	66,474,547	61,099,810	74,467,153
152,378,567	(7,861,385)	5,086,791	25,203,092	(53,525,221)
<u>510,752,476</u>	<u>365,445,011</u>	<u>396,064,886</u>	<u>442,010,246</u>	<u>382,144,494</u>

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

Expenses	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses	\$	\$	\$	\$	\$
Governmental Activities:					
Community development	15,808,848	18,412,550	17,702,202	22,954,181	9,090,251
Human services	1,623,102	1,554,411	1,582,251	1,495,964	1,562,157
Public safety	48,500,457	46,093,823	46,022,760	50,621,439	51,355,424
Transportation	13,930,238	13,535,438	11,650,032	11,352,844	11,332,401
Environmental support and protection	2,890,119	4,124,316	2,919,735	2,327,751	1,996,098
Leisure, cultural and information services	23,947,621	22,168,928	21,547,087	21,681,720	21,548,736
Policy development and implementation	4,766,661	4,726,541	5,528,602	4,773,768	6,030,657
Interest on long term debt	2,986,613	2,762,933	2,551,146	1,616,333	314,022
Total governmental activities expenses	114,453,659	113,378,940	109,503,815	116,824,000	103,229,746
Business-type activities					
Water utility fund	21,595,698	20,702,048	21,889,834	28,680,794	31,123,859
Sewer utility fund	16,125,292	17,776,510	19,900,464	20,017,426	19,287,430
Parking fund	2,561,896	2,476,991	2,420,716	2,420,029	2,430,359
Port of Redwood City	3,896,043	4,038,336	4,251,855	4,739,397	5,628,403
Docktown Marina					243,335
Total business-type activities expenses	44,178,929	44,993,885	48,462,869	55,857,646	58,713,386
Total primary government expenses	158,632,588	158,372,825	157,966,684	172,681,646	161,943,132
Program Revenues					
Governmental activities:					
Charges for services:					
Community Development	2,760,718	3,996,401	6,503,254	4,852,265	4,651,706
Public Safety	1,807,675	1,995,853	2,345,175	3,199,818	3,131,805
Transportation	298,955	304,275	256,929	404,042	546,820
Environmental support and protection	1,371,562	1,351,354	1,328,009	1,330,208	1,335,544
Leisure, cultural, and information services	2,508,597	2,430,818	2,632,930	2,843,954	2,827,087
Policy development and implementation	1,534,944	1,626,141	1,656,917	1,817,823	1,780,367
Operating grants and contributions	6,741,821	7,380,584	6,159,842	6,193,090	6,716,207
Capital grants and contributions	6,987,681	7,978,474	6,243,279	8,503,363	12,658,933
Total governmental activities program revenues	24,011,953	27,063,900	27,126,335	29,144,563	33,648,469
Business-type activities:					
Water utility fund	25,578,282	23,255,926	26,038,320	28,465,337	33,202,194
Sewer utility fund	20,259,668	22,241,030	24,156,749	26,898,440	28,100,341
Parking fund	840,414	1,005,328	1,100,304	1,267,531	1,366,984
Port of Redwood City	6,702,772	6,073,755	7,674,030	7,638,585	6,262,660
Docktown Marina					493,262
Total business-type activities program revenues	53,381,136	52,576,039	58,969,403	64,269,893	69,425,441
Net (Expense)/Revenue					
Governmental activities	(90,441,706)	(86,315,040)	(82,377,480)	(87,679,437)	(69,581,277)
Business-type activities	9,202,207	7,582,154	10,506,534	8,412,247	10,712,055
Total primary government net expense	(81,239,499)	(78,732,886)	(71,870,946)	(79,267,190)	(58,869,222)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property taxes	47,082,041	48,052,021	46,614,369	42,432,818	38,379,963
Sales taxes	15,552,681	15,023,882	15,671,238	16,998,443	19,240,290
Other taxes	18,325,098	18,034,397	18,440,213	19,595,982	20,335,928
Investment Earnings	2,036,661	1,629,298	1,042,032	579,394	301,171
Other	1,813,256	2,093,288	1,598,452	1,260,652	1,069,894
Extraordinary item				19,161,516	
Gain (loss) on retirement of capital assets					
Transfers	(1,067,656)	(917,651)	(729,043)	(607,867)	(472,895)
Total governmental activities	83,742,081	83,915,235	82,637,261	99,420,938	78,854,351
Business-type activities:					
Property taxes	28,390	25,904	28,080	77,425	104,081
Investment Earnings	1,264,220	435,559	327,435	281,583	151,041
Incr. (decr.) in investment in sewer authority					
Other	27,537	2,885	17,324	14,585	4,792
Extraordinary item - pollution remediation	(19,796,522)				
Gain (loss) on retirement of capital assets					
Transfers	1,067,656	917,651	729,043	607,867	472,895
Total business-type activities	(17,408,719)	1,381,999	1,101,882	981,460	732,809
Total primary government	66,333,362	85,297,234	83,739,143	100,402,398	79,587,160
Change in Net Position					
Governmental activities	(6,699,625)	(2,399,805)	259,781	11,741,501	9,273,074
Business-type activities	(8,206,512)	8,964,153	11,608,416	9,393,707	11,444,864
Total primary government	(14,906,137)	6,564,348	11,868,197	21,135,208	20,717,938

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

Fiscal Year				
2014	2015	2016	2017	2018
\$	\$	\$	\$	\$
8,150,880	9,592,085	10,471,987	11,283,201	15,606,312
1,462,300	1,485,779	1,673,308	1,829,157	2,082,688
59,435,400	62,453,649	65,192,296	70,531,632	81,254,909
11,572,619	12,944,719	13,001,063	15,543,459	11,395,963
2,746,600	2,722,610	3,524,036	1,918,929	3,061,832
22,823,528	23,747,419	25,392,603	27,413,602	29,865,949
5,982,346	7,043,417	6,122,280	8,709,696	19,190,179
48,341	38,762	23,269	63,308	8,655
<u>112,222,014</u>	<u>120,028,440</u>	<u>125,400,842</u>	<u>137,292,984</u>	<u>162,466,487</u>
30,591,894	30,937,175	33,505,028	36,788,633	41,468,907
19,989,758	22,081,105	34,345,565	26,675,531	29,054,577
2,471,222	2,916,242	3,005,729	3,004,956	3,386,730
5,091,265	5,231,644	5,179,284	5,692,117	6,899,536
705,388	763,211	826,201	1,408,137	15,700,537
<u>58,849,527</u>	<u>61,929,377</u>	<u>76,861,807</u>	<u>73,569,374</u>	<u>96,510,287</u>
<u>171,071,541</u>	<u>181,957,817</u>	<u>202,262,649</u>	<u>210,862,358</u>	<u>258,976,774</u>
8,553,508	5,171,299	6,340,242	8,087,438	12,452,093
6,922,702	7,744,775	7,905,079	8,215,731	10,016,793
374,859	282,324			
1,417,353	1,456,889	1,460,797	1,541,388	1,585,832
3,074,537	3,553,925	3,090,945	3,534,018	3,718,902
1,871,774	1,736,648	1,775,752	4,906,365	4,872,753
7,072,772	7,721,851	7,755,830	8,524,425	10,368,250
9,505,357	17,492,948	12,592,165	7,354,555	14,278,202
<u>38,792,862</u>	<u>45,160,659</u>	<u>40,920,810</u>	<u>42,163,920</u>	<u>57,292,825</u>
36,271,106	37,082,113	38,227,757	38,495,923	44,709,197
25,692,258	29,837,033	45,533,365	37,294,965	37,483,243
1,503,519	2,019,961	2,401,924	6,891,197	5,968,659
6,824,474	6,721,955	6,862,662	7,131,948	8,630,600
665,819	681,115	663,658	693,355	329,112
<u>70,957,176</u>	<u>76,342,177</u>	<u>93,689,366</u>	<u>90,507,388</u>	<u>97,120,811</u>
(73,429,152)	(74,867,781)	(84,480,032)	(95,129,064)	(105,173,662)
12,107,649	14,412,800	16,827,559	16,938,014	610,524
<u>(61,321,503)</u>	<u>(60,454,981)</u>	<u>(67,652,473)</u>	<u>(78,191,050)</u>	<u>(104,563,138)</u>
41,708,668	44,546,153	48,033,490	52,616,638	58,400,498
20,781,613	22,372,756	23,513,420	24,825,685	25,233,175
21,612,376	23,364,156	24,200,427	24,299,061	25,706,747
992,221	1,055,417	1,424,919	1,242,098	1,743,818
1,205,727	1,277,511	199,510	332,294	295,538
(3,359,063)	1,315,418			
2,314,350	(22,230)	(3,453,013)	(2,681,630)	(6,390,848)
<u>85,255,892</u>	<u>93,909,181</u>	<u>93,918,753</u>	<u>100,634,146</u>	<u>104,988,928</u>
104,814	123,954	157,417	213,553	331,225
499,586	586,705	742,410	606,423	(2,094,124)
4,132	2,536	755	658	10,436
13,700,440				
(2,314,350)	22,230	3,453,013	2,681,630	6,390,848
<u>11,994,622</u>	<u>735,425</u>	<u>4,353,595</u>	<u>3,502,264</u>	<u>4,638,385</u>
<u>97,250,514</u>	<u>94,644,606</u>	<u>98,272,348</u>	<u>104,136,410</u>	<u>109,627,313</u>
11,826,740	19,041,400	9,438,721	5,505,082	(184,734)
24,102,271	15,148,225	21,181,154	20,440,278	5,248,909
<u>35,929,011</u>	<u>34,189,625</u>	<u>30,619,875</u>	<u>25,945,360</u>	<u>5,064,175</u>

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

	Fiscal Year	
	2009	2010
	\$	\$
General Fund		
Reserved	4,630,992	3,732,535
Unreserved	34,464,505	20,991,436
Total general fund	39,095,497	24,723,971
All Other Governmental Funds		
Reserved	25,660,144	26,067,203
Unreserved, reported in:		
Special revenue funds	28,419,218	32,706,733
Debt service funds	78,418	40,589
Capital projects funds	21,189,395	18,520,889
Total all other governmental funds	75,347,175	77,335,414
Total governmental funds	114,442,672	102,059,385

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

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

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

Fiscal Year		
2016	2017	2018
\$	\$	\$
1,291,863	1,131,814	956,207
96,338	96,338	1,118,953
837,563	837,563	2,078,791
978,967	884,838	1,036,150
<u>25,233,340</u>	<u>29,421,956</u>	<u>25,019,617</u>
<u>28,438,071</u>	<u>32,372,509</u>	<u>30,209,718</u>
105,702	124,395	5,799,838
59,678,286	58,674,542	60,025,546
22,446,882	34,219,577	5,323,534
14,270,412	5,230,911	32,083,477
	(3,022)	(3,022)
<u>96,501,282</u>	<u>98,246,403</u>	<u>103,229,373</u>
<u><u>124,939,353</u></u>	<u><u>130,618,912</u></u>	<u><u>133,439,091</u></u>

Schedule 4

CITY OF REDWOOD CITY, CALIFORNIA

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	Fiscal Year				
	2009	2010	2011	2012	2013
	\$	\$	\$	\$	\$
REVENUES					
Property taxes/special assessments	48,371,857	49,351,469	47,906,240	43,732,410	39,709,199
Sales and other taxes	31,674,430	30,964,483	31,575,135	34,231,492	37,072,870
Licenses and permits	902,723	875,019	1,097,906	1,266,183	1,897,584
Fines, forfeitures and penalties	921,566	1,216,604	1,404,168	1,313,826	1,198,611
Use of money and property	4,995,104	4,264,447	3,813,336	2,302,262	2,476,647
Intergovernmental	10,397,158	13,711,717	9,126,252	10,223,281	10,505,927
Contributions	540,186	829,561	1,850,469	3,971,547	7,743,498
Charges for current services	7,326,776	8,395,583	11,227,564	10,830,462	10,411,028
Other	2,173,942	1,608,439	1,028,902	750,414	557,739
Total Revenues	<u>107,303,742</u>	<u>111,217,322</u>	<u>109,029,972</u>	<u>108,621,877</u>	<u>111,573,103</u>
EXPENDITURES					
Current Operations:					
Community development	15,305,951	18,155,500	17,440,348	22,125,748	8,595,743
Human services	1,511,733	1,465,105	1,504,568	1,389,422	1,462,092
Public safety	46,713,987	45,500,450	45,470,647	49,175,285	49,368,709
Transportation	8,866,814	8,552,901	6,729,077	6,472,378	6,452,755
Environmental support and protection	2,863,738	4,152,609	2,916,577	2,260,457	1,959,881
Leisure, cultural and information services	21,873,848	20,479,455	19,876,261	19,585,039	19,778,480
Policy development and implementation	2,785,266	3,299,086	3,979,560	2,617,522	5,470,098
Capital outlay	9,894,551	5,025,308	4,902,938	7,665,302	10,502,338
Debt service:					
Principal retirement	3,747,321	14,657,321	3,182,321	3,275,000	5,880,000
Interest and fiscal charges	1,608,310	1,378,637	1,007,650	930,487	326,059
Bond issuance costs					67,252
Total Expenditures	<u>115,171,519</u>	<u>122,666,372</u>	<u>107,009,947</u>	<u>115,496,640</u>	<u>109,863,407</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,867,777)</u>	<u>(11,449,050)</u>	<u>2,020,025</u>	<u>(6,874,763)</u>	<u>1,709,696</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	14,275,221	28,655,915	13,288,203	18,062,351	13,223,617
Transfers (out)	(15,326,668)	(29,590,152)	(14,050,840)	(18,655,801)	(13,782,396)
Sale of property			30		
Bond proceeds/Refunding Lease					3,360,000
Sale of capital assets					
Total Other Financing Sources (Uses)	<u>(1,051,447)</u>	<u>(934,237)</u>	<u>(762,607)</u>	<u>(593,450)</u>	<u>2,801,221</u>
Extraordinary gain (loss)				<u>(4,323,843)</u>	
NET CHANGE IN FUND BALANCES	<u>(8,919,224)</u>	<u>(12,383,287)</u>	<u>1,257,418</u>	<u>(11,792,056)</u>	<u>4,510,917</u>
Debt service as a percentage of non-capital expenditures	5.09%	13.63%	4.10%	3.90%	6.25%

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

Fiscal Year				
2014	2015	2016	2017	2018
\$	\$	\$	\$	\$
43,092,377	45,973,909	49,312,670	53,975,055	59,803,386
39,970,312	43,307,531	44,186,332	44,037,753	44,906,727
2,561,642	1,467,814	7,151,286	4,189,195	9,832,842
887,309	878,334	983,449	989,611	1,059,004
1,771,829	1,918,899	2,164,743	6,115,750	6,513,028
10,835,761	12,416,110	13,265,046	12,243,780	14,053,873
8,301,860	11,363,481	2,296,073	3,559,664	2,402,789
15,345,006	16,420,416	16,900,849	19,791,531	23,399,087
623,242	708,967	621,247	788,639	1,289,804
<u>123,389,338</u>	<u>134,455,461</u>	<u>136,881,695</u>	<u>145,690,978</u>	<u>163,260,540</u>
7,864,788	9,479,762	10,320,807	10,987,811	14,719,418
1,347,136	1,400,276	1,624,187	1,708,705	1,874,314
56,115,246	61,713,585	65,020,500	68,186,718	70,296,129
6,714,370	8,685,224	9,099,717	11,241,321	6,473,602
2,601,280	2,525,916	2,360,169	2,160,598	2,179,407
20,789,647	22,013,436	23,537,162	24,507,866	24,983,432
3,598,453	5,202,537	4,259,132	8,440,654	18,350,842
5,310,292	6,162,302	14,730,024	8,365,803	10,840,645
324,742	656,858	666,814	676,920	687,180
31,755	43,348	74,696	61,958	13,842
<u>104,697,709</u>	<u>117,883,244</u>	<u>131,693,208</u>	<u>136,338,354</u>	<u>150,418,811</u>
18,691,629	16,572,217	5,188,487	9,352,624	12,841,729
13,632,786	12,241,110	10,795,891	11,997,013	11,845,559
(17,325,507)	(14,448,618)	(18,237,434)	(15,670,078)	(21,586,606)
	1,793,128			
<u>(3,692,721)</u>	<u>(414,380)</u>	<u>(7,441,543)</u>	<u>(3,673,065)</u>	<u>(9,741,047)</u>
<u>14,998,908</u>	<u>16,157,837</u>	<u>(2,253,056)</u>	<u>5,679,559</u>	<u>3,100,682</u>
0.36%	0.63%	0.63%	0.58%	0.50%

Schedule 5

CITY OF REDWOOD CITY, CALIFORNIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	% Increase/ (Decrease) Over Prior Year	Effective Direct Tax Rate*
	State Assessed	Locally Assessed	Locally Assessed				
	\$	\$	\$	\$	\$	%	%
2009	5,003,014	14,734,164,661	676,178,812	642,703,087	14,772,643,400	7.66	0.2350
2010	5,003,014	14,885,525,123	757,610,502	664,018,869	14,984,119,770	1.43	0.2397
2011	5,003,014	14,673,871,469	770,364,641	704,940,601	14,744,298,523	(1.60)	0.2373
2012	1,466,946	14,712,120,582	674,899,038	646,459,575	14,742,026,991	(0.02)	0.2030
2013	1,466,946	15,154,966,352	763,901,657	766,118,316	15,154,216,639	2.80	0.2101
2014	1,466,946	16,187,528,735	785,538,767	726,787,642	16,247,746,806	7.22	0.1921
2015	1,466,946	17,089,497,213	816,665,290	791,008,571	17,116,620,878	5.35	0.1920
2016	1,591,555	18,644,533,868	801,908,976	731,483,833	18,716,550,566	9.35	0.1944
2017	1,591,555	20,475,454,077	844,061,306	758,856,031	20,562,250,907	9.86	0.1930
2018	1,591,555	22,264,350,439	803,417,774	754,963,061	22,314,396,707	8.52	0.1819

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

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

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

Source: San Mateo County Assessor's records

Schedule 6

CITY OF REDWOOD CITY, CALIFORNIA

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(rate per \$100 of assessed values)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Direct Rates										
City	0.2350	0.2397	0.2373	0.2030	0.2101	0.1921	0.1920	0.1944	0.1930	0.18194
County and All Others*	0.7650	0.7603	0.7627	0.7970	0.7899	0.8079	0.8080	0.8056	0.8070	0.81806
Total Direct Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.00000
Overlapping Rates										
MidPeninsula Open Space**								0.0008	0.0006	0.0009
Elementary School	0.0229	0.0238	0.0249	0.0255	0.0256	0.0240	0.0230	0.0158	0.0461	0.0412
High School	0.0282	0.0277	0.0311	0.0358	0.0356	0.0313	0.0433	0.0434	0.0391	0.0383
Community College	0.0165	0.0182	0.0193	0.0199	0.0194	0.0194	0.0190	0.0250	0.0247	0.0235
Total Overlapping Rate	0.0676	0.0697	0.0753	0.0812	0.0806	0.0747	0.0853	0.0850	0.1105	0.1039
Total Direct and Overlapping Rate	1.0676	1.0697	1.0753	1.0812	1.0806	1.0747	1.0853	1.0850	1.1105	1.1039

Source: San Mateo County Assessor's records (tax rate area 009-001)

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

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

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

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
	\$			\$		
Oracle Corporation	627,216,312	1	2.81%	524,638,979	1	3.55%
Google Inc.	605,799,652	2	2.71%			
Hudson Towers At Shore Center	554,492,212	3	2.48%			
Aimco Indigo LP	342,900,341	4	1.54%			
Westport Office Park LLC	282,264,266	5	1.26%	249,978,003	3	1.69%
DWF IV 1400 1500 Seaport Blvd	268,208,741	6	1.20%			
Slough Redwood City LLC	256,753,732	7	1.15%	244,900,000	4	1.66%
Electronic Arts Inc.	217,005,476	8	0.97%	77,363,765	9	0.52%
TGA 299 Franklin LLC	216,885,400	9	0.97%			
Informatica LLC	209,772,018	10	0.94%			
Pacific Shores Investors LLC				500,706,270	2	3.39%
SRI Eight Pacific Shores LLC				209,100,000	5	1.42%
Selco Service Corporation				192,432,989	6	1.30%
Tishman Speyer Archstone Smith				132,135,040	7	0.89%
Metropolitan Life Insurance Co.				122,213,181	8	0.83%
SPK-Towers @ Shores Center LLC				121,890,000	9	0.83%
Irvine Co. LLC				79,668,460	10	0.54%
	<u>3,581,298,150</u>		<u>16.05%</u>	<u>2,455,026,687</u>		<u>16.62%</u>

Source: San Mateo County Assessor via MuniServices, LLC.

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections	
		Amount ¹	Percentage of Levy	Delinquent Tax Collections ²	Amount	Percentage of Levy
	\$	\$	%		\$	%
2009	25,185,881	24,732,667	98.20	NA	24,732,667	98.20
2010	25,402,023	25,081,429	98.74	NA	25,081,429	98.74
2011	25,027,079	24,734,718	98.83	NA	24,734,718	98.83
2012	25,004,405	24,713,562	98.84	NA	24,713,562	98.84
2013	25,724,570	25,478,547	99.04	NA	25,478,547	99.04
2014	27,363,041	27,345,209	99.93	NA	27,345,209	99.93
2015	28,944,353	28,862,898	99.72	NA	28,862,898	99.72
2016	31,236,465	31,170,596	99.79	NA	31,170,596	99.79
2017	33,650,661	33,580,370	99.79	NA	33,580,370	99.79
2018	35,664,083	35,757,150	100.26	NA	35,757,150	100.26

Source: Audited City financial records - general fund

¹ Amount collected is less than levy as refunds are deducted from the current year tax apportionment and tax roll adjustments are initiated by the County of San Mateo after the levy has been established. Amount collected could be more than the levy if prior fiscal year revenues are received in the next fiscal year.

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

Schedule 9

CITY OF REDWOOD CITY, CALIFORNIA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

	<u>Governmental Activities</u>					<u>Business-Type Activities</u>		Total Primary Govt	Per Capita	Debt/ Personal Income
	Revenue	Refunding	GID	Tax		Revenue				
	Bonds	Lease	Bonds	Increment Bonds*	Loans*	Bonds	Loans			
	\$	\$	\$	\$	\$	\$	\$	\$	%	
2009	20,228			46,133	169	80,141	1,876	148,547	1,909	4.79
2010	9,807			43,423	127	78,236	1,848	133,441	1,698	4.37
2011	7,892			43,767	85	76,266	1,819	129,829	1,671	4.20
2012	5,882					84,217	1,789	91,888	1,174	2.94
2013		3,360				81,346	1,758	86,464	1,093	2.70
2014		3,035				80,393	424	83,852	1,038	2.51
2015		2,378				77,749		80,127	979	2.35
2016		1,712				74,814		76,526	890	1.72
2017		1,035				66,890		67,925	794	1.61
2018		347				63,886		64,233	745	1.28

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

Schedule 10
 CITY OF REDWOOD CITY, CALIFORNIA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 As of June 30, 2018

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
	%	\$
City Overlapping Debt		
Debt Repaid with Property Taxes		
San Mateo Community College District	10.821	62,374,849
Sequoia Union High School District	25.248	127,391,309
Belmont-Redwood Shores School District	42.610	27,498,551
Belmont-Redwood Shores School District School Facilities Improvement Distr.	92.625	19,696,706
Redwood City School District	62.743	91,134,962
San Carlos School District	1.189	1,406,184
Midpeninsula Regional Park District	8.433	7,872,206
Redwood City Redwood Shores Community Facilities District No. 99-1	100.000	8,205,000
Redwood City Community Facilities District 2010-1	100.000	4,235,000
TOTAL DEBT REPAID WITH PROPERTY TAXES		349,814,767
Other Debt		
San Mateo County General Fund Obligations	10.821	39,621,857
San Mateo County Board of Education Certificates of Participation	10.821	946,296
Midpeninsula Regional Park District General Fund Obligations	8.433	10,376,014
Menlo Park Fire Protection District Certificates of Participation	0.018	1,887
TOTAL OTHER DEBT		50,946,054
Overlapping Tax Increment Debt (Successory Agency)	100.000	16,281,002
Total City Overlapping Debt		417,041,823
City Direct Debt		
City of Redwood City General Fund Obligations	100.000	347,486
Total City Direct Debt		347,486
Total Overlapping and Direct Debt		417,389,309

Source: California Municipal Statistics and City's Audited Financials

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Redwood City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

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

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

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Total Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as % of Debt Limit</u>
	\$	\$	\$	%
2008-09	578,075,493		578,075,493	
2009-10	586,805,199		586,805,199	
2010-11	579,346,467		579,346,467	
2011-12	577,068,246		577,068,246	
2012-13	597,012,561		597,012,561	
2013-14	636,545,042		636,545,042	
2014-15	671,536,104		671,536,104	
2015-16	729,301,290		729,301,290	
2016-17	799,541,510		799,541,510	
2017-18	865,100,991		865,100,991	

Legal Debt Margin Calculation for FY 2017-18

Assessed value	22,314,396,707
Add back: exempt real property	754,963,061
Total assessed value	<u>23,069,359,768</u>
Debt limit (3.75% of total assessed value)	865,100,991
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	<u>865,100,991</u>
Legal debt margin	<u><u>865,100,991</u></u>

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

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

Fiscal Year	Water Revenue Bonds					
	Gross	Less:	Net	Debt Service		Coverage
	<u>Revenue</u>	<u>Operating</u>	<u>Available</u>	<u>Principal</u>	<u>Interest</u>	<u>Ratio</u>
	\$	\$	\$	\$	\$	
2009	23,403,532	17,304,434	6,099,098	1,620,000	2,754,920	1.39
2010	23,063,981	17,421,429	5,642,552	1,675,000	2,938,691	1.22
2011	26,004,880	18,597,779	7,407,101	1,730,000	2,930,765	1.59
2012	28,110,646	22,103,449	6,007,197	1,795,000	2,868,003	1.29
2013	33,167,501	23,321,874	9,845,627	1,865,000	2,802,852	2.11
2014	35,655,559	23,173,261	12,482,298	1,845,000	2,269,566	3.03
2015	35,323,680	25,430,020	9,893,660	1,905,000	2,943,480	2.04
2016	35,508,299	28,248,490	7,259,809	1,995,000	2,214,629	1.72
2017	36,752,635	31,411,452	5,341,183	2,080,000	2,352,256	1.21
2018	42,990,320	36,472,505	6,517,815	1,975,000	1,999,194	1.64

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

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

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

Port Revenue Bonds						
Fiscal Year	Gross Revenues	Less: Operating Expenses¹	Net Available Revenue	Debt Service		Coverage Ratio²
	\$	\$	\$	Principal	Interest	
2009	5,967,743	2,516,939	3,450,804	266,528	512,090	4.43
2010	5,729,278	2,648,046	3,081,232	277,721	499,137	3.97
2011	5,820,715	2,561,439	3,259,276	288,969	485,389	4.21
2012	6,159,871	2,746,082	3,413,789	305,273	471,085	4.40
2013	6,262,660	2,703,564	3,559,096	644,144	875,483	2.34
2014	6,824,474	2,786,181	4,038,293	646,186	819,930	2.75
2015	6,721,955	3,033,231	3,688,724	710,341	807,953	2.43
2016*	6,779,863	2,823,939	3,955,924	772,130	630,193	2.82
2017	7,127,814	3,106,577	4,021,237	771,916	577,965	2.98
2018	8,627,231	4,245,795	4,381,436	798,483	556,144	3.23

Tax Increment Bonds				
	Property Tax Increment	Debt Service		Coverage Ratio
	\$	Principal	Interest	
2008	8,416,294	1,210,000	988,415	3.83
2009	7,921,159	1,270,000	929,730	3.60
2010 ³	7,953,318	4,195,000	886,687	1.57
2011	7,552,777	1,225,000	632,713	4.07
2012 ⁴		1,265,000	585,975	
2013 ⁴		2,480,000	511,075	
2014 ⁴		2,895,000	385,481	
2015 ⁴		3,045,000	229,556	
2016 ⁴		3,142,669	292,144	
2017		1,889,861	1,615,139	
2018		1,773,916	1,731,084	

¹ Port operating expenses above exclude subvention payment to the City and depreciation.

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

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

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

*2016 Port Operating Expenses were restated in FY 2017.

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

Calendar Year	Population	Personal Income (\$000)	Per Capita Personal Income	Unemployment Rate	Number of Water System Customers
		\$	\$	%	
2009	77,819	3,098,753	39,820	8.90	23,718
2010	78,568	3,052,053	38,846	9.10	23,784
2011	77,712	3,091,772	39,785	8.70	23,972
2012	78,244	3,125,218	39,942	7.10	24,119
2013	79,074	3,204,632	40,527	5.40	24,296
2014	80,768	3,342,018	41,378	4.20	24,347
2015	81,838	3,408,940	41,655	3.00	24,472
2016	85,992	4,459,975	51,865	3.00	24,485
2017	85,601	4,206,433	49,140	2.70	24,508
2018	86,271	5,008,894	58,060	2.40	24,600

Sources:

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

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

The unemployment rate for the City of Redwood City is provided by the State of California Employee Development Department and is not seasonally adjusted.

The number of water system customers is provided by the City's utility billing system.

Schedule 14
CITY OF REDWOOD CITY, CALIFORNIA
PRINCIPAL EMPLOYERS
Current and Nine Years Ago

Employer	2018			2009		
	Employees*	Rank	% of Total City Employment	Employees**	Rank	% of Total City Employment
Oracle Corporation	5,955	1	12.20%	8,000	1	20.00%
County of San Mateo	2,446	2	5.01%	2,200	2	5.50%
Kaiser Foundation Hospitals	1,727	3	3.54%	1,800	4	4.50%
Electronic Arts	1,520	4	3.11%	1,826	3	4.57%
Sequoia Hospital	915	5	1.88%	1,154	5	2.89%
Box Inc.	840	6	1.72%			
Redwood City School District	742	7	1.52%	1,050	6	2.63%
Nevro Corp	672	8	1.38%			
Shutterfly	580	9	1.19%			
Genomic Health Inc	551	10	1.13%	700	10	1.75%
Informatica				1,000	7	2.50%
OpenWave Systems				900	8	2.25%
Broad Vision				759	9	1.90%

Source: *As of 2015, data from City of Redwood City Business License Database; non-profit organizations' data was via published annual reports or direct inquiry to the organization.

**2009 Data from Redwood City Chamber of Commerce.

Schedule 15
CITY OF REDWOOD CITY, CALIFORNIA
FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION/DEPARTMENT
Last Ten Fiscal Years

Function	Fiscal Year							
	2009	2010	2011	2012	2013	2014	2015	2016
Community Development	73.48	72.68	71.53	69.33	62.63	64.76	56.98	64.31
Human Services	7.92	7.92	7.82	7.82	7.82	7.82	7.82	7.82
Public Safety	204.32	194.57	178.50	180.34	181.84	207.00	210.00	213.00
Transportation	23.10	18.85	17.15	16.05	16.05	16.09	16.09	16.29
Environmental Support/Protection	8.25	7.95	5.95	5.85	3.15	3.55	3.71	4.71
Leisure/Cultural/Information Services	156.96	142.08	128.65	127.94	124.74	103.80	104.59	106.23
Policy Development/Implementation	65.54	63.94	59.52	60.42	59.57	80.90	83.69	87.05
Water	35.35	35.45	32.45	30.85	35.05	30.97	34.37	34.77
Sewer	16.20	16.20	16.20	15.70	18.40	17.88	18.62	18.92
Parking	5.55	5.45	5.35	5.65	5.65	5.65	5.65	5.65
Docktown Marina*							0.13	0.13
Port	10.00	10.00	10.00	10.00	10.00	9.00	9.00	8.00
Total	606.67	575.09	533.12	529.95	524.90	547.42	550.65	566.88

Department**	Fiscal Year	
	2017	2018
City Council	7.00	7.00
City Manager	7.49	8.59
City Attorney	6.83	5.97
City Clerk	4.41	3.78
Administrative Services	41.99	41.13
Community Development	70.31	65.46
Fire	93.00	89.50
Library	40.72	38.53
Parks, Recreation, Community Svcs	71.66	71.74
Police	128.00	124.00
Public Works	97.39	101.52
Port	8.00	9.00
	576.80	566.22

*The City took over the management of Docktown Marina in FY 2012-13, and began supporting with FTE in 2013-14.

**City began to report FTE by Department in FY 2016-17.

Source: Redwood City Adopted Budget

Schedule 16
CITY OF REDWOOD CITY, CALIFORNIA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Community Development:										
Building permits	2,038	2,003	2,191	1,972	2,320	2,549	2,650	3,493	3,310	3,017
Building inspections conducted	13,122	10,732	13,502	13,391	11,844	16,669	17,547	20,383	21,640	25,201
Public Safety:										
Police:										
Moving citations (per 1,000 population)	170	131	114	112	94	97	120	103	68	61
Fire:										
Emergency responses - all calls*	6,671	6,683	6,733	7,111	7,656	9,096	10,078	10,245	10,479	10,742
Leisure/Cultural/Information Services:										
Number of items in collection	329,296	324,672	295,444	326,251	332,776	299,673	292,781	277,520	273,391	244,106
Water:										
Average daily consumption (thousands of gallons)	9,962	9,193	9,337	9,446	9,402	9,910	10,401	7,507	7,729	8,536

*Redwood City began providing fire services to the residents of San Carlos in FY 13-14 as a result of a shared services agreement between the two cities.

Sources: Various City departments

Schedule 17
CITY OF REDWOOD CITY, CALIFORNIA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety:										
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations*	5	5	5	5	5	7	7	7	7	7
Transportation										
Miles of streets	155	155	155	155	155	155	155	155	155	155
Number of street lights**	8,500	8,500	8,500	4,512	4,512	5,035	5,055	5,076	5,076	5,076
Leisure/Cultural/Information Services										
Number of parks	23	23	24	24	24	24	25	25	25	25
Number of libraries	4	4	4	4	4	4	4	4	4	4
Number of recreation center facilities	5	5	5	5	5	5	5	5	5	5
Water										
Miles of water mains	264	264	264	264	264	262	262	262	262	262
Miles of recycled water system lines	15	15	15	15	15	17	17	18	18	18
Sewer										
Miles of sanitary sewers	193	193	193	193	193	196	198	198	198	198
Miles of storm sewers	129	129	129	129	129	130	133	133	133	133

Sources: Various city departments

Notes:

* In FY 2013-14 Redwood City entered into a shared services agreement with the City of San Carlos. Redwood City provides fire services to the residents of San Carlos out of the two fire stations located in San Carlos.

**In 2012 the Public Works Services division employed a consultant to create a physical inventory of street lights. Criteria was updated and applied for a more accurate count of the number of street lights in the City's right-of-way. Inventories were refined and lights were added through the LED conversion

Schedule 18
 CITY OF REDWOOD CITY, CALIFORNIA
 CONSTRUCTION VALUES
 Last Ten Fiscal Years

Fiscal Year	Residential Construction		All Other Construction		Residences/Additions and Alterations		Other Buildings Additions/Alterations		Total Property Values
	Number of Permits Issued	Property Value	Number of Permits Issued	Property Value	Number of Permits Issued	Property Value	Number of Permits Issued	Property Value	
		\$		\$		\$		\$	\$
2009	36	17,739,134	2	590,000	1,028	20,000,165	972	36,405,222	74,734,521
2010	39	15,495,398	5	6,048,354	1,098	21,065,615	861	26,436,017	69,045,384
2011	47	25,629,952	5	1,078,000	1,088	25,554,042	1,051	35,938,801	88,200,795
2012	200	40,914,805	22	402,509	912	21,119,778	1,011	64,738,238	127,175,330
2013	605	126,141,306	3	19,333,650	1,226	28,200,872	1,041	56,330,964	230,006,792
2014	426	82,816,188	5	94,930,847	1,270	30,617,300	1,213	73,184,001	281,548,336
2015	86	194,571,550	8	36,583,115	1,485	37,474,855	1,071	119,773,839	388,403,359
2016	120	133,448,208	14	44,186,444	1,762	51,966,358	1,597	116,225,763	345,826,773
2017	85	29,578,614	10	16,375,200	1,463	41,937,060	1,419	271,670,621	359,561,495
2018	3	398,600	2	39,150,000	149	3,499,075	2,863	643,620,383	686,668,058

Source: Redwood City's Community Development Department

