

# FISCAL YEAR 2019-20

SAN CARLOS, CALIFORNIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2019 - June 30, 2020





**CITY OF SAN CARLOS, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Prepared by**  
**CITY OF SAN CARLOS FINANCE DIVISION**

This Page Left Intentionally Blank

CITY OF SAN CARLOS

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

Table of Contents

	<u>Page</u>
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal .....	v
Directory of Officials .....	xiv
The Residents of the City of San Carlos.....	xv
Administrative Services.....	xvi
Certificate of Achievement for Excellence in Financial Reporting (GFOA) .....	xvii
<b>FINANCIAL SECTION:</b>	
<i>Independent Auditor's Report on Basic Financial Statements</i> .....	1
<i>Management's Discussion and Analysis</i> .....	5
<b>Basic Financial Statements:</b>	
Government Wide Financial Statements:	
Statement of Net Position.....	23
Statement of Activities.....	24
Fund Financial Statements:	
<b>Governmental Funds:</b>	
Balance Sheet.....	28
Reconciliation of the Governmental Funds – Balance Sheet with the Statement of Net Position .....	30
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	32
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statements of Activities .....	34
Budgetary Comparison Statement by Department – General Fund .....	36

CITY OF SAN CARLOS

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

Table of Contents

	<u>Page</u>
<b>FINANCIAL SECTION (Continued):</b>	
<b><i>Proprietary Funds:</i></b>	
Statement of Net Position .....	40
Statement of Revenues, Expenses, and Changes in Net Position .....	41
Statement of Cash Flows .....	42
<b><i>Fiduciary Funds:</i></b>	
Statement of Fiduciary Net Position.....	44
Statement of Changes in Fiduciary Net Position .....	45
Notes to Basic Financial Statements.....	47
<b>Required Supplementary Information:</b>	
Schedule of the Proportionate Share of the Net Pension Liability – CalPERS Cost Sharing Plan .....	98
Schedule of Plan Contributions – CalPERS Cost Sharing Plan .....	99
Schedule of Changes in the Net Pension Liability and Related Ratios – PARS Longevity Recognition Plan .....	100
Schedule of Plan Contributions – PARS Longevity Recognition Plan .....	101
Schedule of Changes in the Net OPEB Liability and Related Ratios – Net OPEB Liability Plan .....	102
Schedule of Contributions – Net OPEB Liability Plan .....	103
<b>Supplementary Information:</b>	
<b>Major Governmental Funds, Other than the General Fund:</b>	
Capital Improvement – Budgetary Comparison Schedule .....	106
Housing Capital Projects Fund – Budgetary Comparison Schedule.....	107
<b><i>Non-major Governmental Funds:</i></b>	
Combining Balance Sheet .....	110

CITY OF SAN CARLOS

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

Table of Contents

	<u>Page</u>
<b>FINANCIAL SECTION (Continued):</b>	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	114
<b><i>Budgetary Comparison Schedules – Special Revenue Funds:</i></b>	
NPDES.....	117
Police Grants .....	118
San Carlos Library Tenant.....	119
<b><i>Capital Project Funds:</i></b>	
Equipment Replacement.....	120
Measure A and Measure W .....	121
Gas Tax .....	122
Park Fee .....	123
Parking In-Lieu.....	124
<b><i>Debt Service Funds:</i></b>	
San Carlos Library Bonds .....	125
<b><i>Internal Service Funds:</i></b>	
Combining Statements of Net Position .....	128
Combining Statements of Revenues, Expenses, and Changes in Net Position .....	129
Combining Statements of Cash Flows.....	130
<b><i>Fiduciary Funds:</i></b>	
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	132

CITY OF SAN CARLOS

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

Table of Contents

	<u>Page</u>
<b>STATISTICAL SECTION:</b>	
Net Position by Component – Last Ten Fiscal Years .....	135
Changes in Net Position – Last Ten Fiscal Years.....	136
Fund Balances Governmental Funds – Last Ten Fiscal Years .....	140
Changes in Fund Balances Governmental Funds – Last Ten Fiscal Years .....	141
Assessed Valuation, Tax Rates and Tax Levies – Last Ten Fiscal Years .....	142
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years .....	143
Principal Property Tax Payers – Current Fiscal Year and Ten Years Prior .....	144
Property Tax Levies and Collections – Last Ten Fiscal Years .....	145
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years .....	146
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years .....	147
Pledged-Revenue Coverage – Sewer Fund – Silicon Valley Clean Water Financing Agreement – Last Ten Fiscal Years .....	148
Direct and Overlapping Debt.....	149
Computation of Legal Bonded Debt Margin – Last Ten Fiscal Years.....	150
Demographic and Economic Statistics – Last Ten Fiscal Years .....	151
Principal Employers – Current Year and Ten Years Ago .....	152
Full Time Equivalent City Personnel by Function – Last Ten Fiscal Years .....	153
Operating Indicators by Function/Program – Last Ten Years.....	154
Capital Assets by Statistics By Function/Program – Last Ten Years .....	155





December 1, 2020

To the Members of the City Council and Residents of San Carlos:

It is the policy of the City of San Carlos to annually publish a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (“GAAP”) and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of San Carlos (“the City”) for the fiscal year ended June 30, 2020.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City established a comprehensive internal control framework that is designed both to protect the City’s assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls was designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by Maze & Associates, a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year that ended June 30, 2020 are free of material misstatement. The independent audit involved: examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year that ended June 30, 2020 were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

## **Profile of the Government**

The City, incorporated in 1925, is located in the San Francisco Bay Area region of the State of California, which is considered to be one of the most expensive areas of the state and country in which to live. The area also is renowned worldwide for technological innovation as home to Silicon Valley. The City currently occupies a land area of six square miles and serves a population of approximately 30,000.

The City is a General Law city, empowered to levy a transient occupancy tax on hotel/motel stays and a business registration fee on for-profit businesses within its boundaries. It also is empowered by State statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1925. Policy-making and legislative authority are vested in a City Council consisting of the Mayor, selected by the Council, and four other Council Members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing advisory commissions/committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan, at large basis. Council Members serve four-year staggered terms, with two or three Council Members elected every two years. The Mayor and Vice-Mayor are selected from among the five Council Members to serve one-year terms.

The City provides a full range of services, including: police and fire; the construction and maintenance of highways, streets and other infrastructure; and recreational activities and cultural events.

## **Budget Process**

The goals of the City's budget process are to identify necessary and/or desirable service increase options and identify possible service reduction options, which are all combined to reach a balanced and sustainable budget. Each City department is provided with a base budget with certain inflationary increases and is given an opportunity to request additional funding if needed. The City Manager, Assistant City Manager, Administrative Services Director, and the Financial Services Manager meet with each department individually to discuss and finalize the proposed budget recommendations. In the second year of the two-year budget cycle, departments are given another opportunity to review their projections and budgets and request additional funding if needed. Those recommendations are also reviewed by the City Manager, Assistant City Manager, and Administrative Services Director. The City Manager then presents the proposed biennial budget or mid-cycle review budget to the Council for review prior to the end of May every year. The Council holds a public hearing on the proposed budget and adopts a final budget by the end of June, the close of the City's fiscal year. The appropriated budget is prepared by fund, function/program (e.g., public safety) and department (e.g., Community Development). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, but within the same fund, can be approved administratively (by the Administrative Services Director or City

Manager). The Fiscal Year (“FY”) 2019-20 Mid-Cycle Budget Adjustments were adopted by Council via Resolution 2019-053 on June 24, 2019.

City Council may amend the budget by resolution during the fiscal year. The City Manager may transfer appropriations from one program, activity, or object to another within the same department or between departments. However, transfers of appropriations that change total fund appropriations must be approved by the City Council. Expenditures that exceed appropriations at the fund level must be approved by the City Council. Budgets are adopted on a basis consistent with GAAP. Budget-to-actual comparisons are presented in the supplementary section of the accompanying financial statements for each individual governmental fund for which an appropriated annual budget has been adopted.

### **Economic Condition and Outlook**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment in which the City operates.

In March 2020, the City and the rest of the world experienced an unprecedented event with the declaration of the worldwide pandemic of a novel coronavirus (named “COVID-19” by the World Health Organization). It was also highly unexpected when the City of San Carlos was informed that a hotel within the city would be used to quarantine several individuals that had been exposed to COVID-19. That same day, the City Manager, activated the City’s Emergency Operations Center and, acting as Director of Emergency Services, proclaimed the existence of a local emergency pursuant to 2.28.060(A)(1) of the San Carlos Municipal Code in response.

### **Economic Update**

In August 2020, it was reported that the real gross domestic product (“GDP”) decreased at an annual rate of 31.7 percent in the second quarter of 2020, according to the second estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP decreased 5.0 percent. GDP swings are typically reported at an annual rate — as if they were to continue for a full year — which can be misleading in a volatile period like this. The overall economy in the second quarter was 9.1% smaller than during the same period a year ago. The decline in second quarter GDP reflected the response to COVID-19, as “stay-at-home” orders issued in March and April were partially lifted in some areas of the country in May and June, and government pandemic assistance payments were distributed to households and businesses. This led to rapid shifts in activity, as businesses and schools continued remote work and consumers and businesses canceled, restricted, or redirected their spending.

The US retail section may take years to recover from the impact of COVID-19, and the hit could be worse than that of the Great Recession. According to eMarketer’s latest forecast on US retail sales (which includes auto and fuel), total retail sales will drop by 10.5% this year, steeper than the 8.2% drop on 2009. Total retail sales will not rebound to the 2019 level until 2022, and estimates throughout the forecast period will be lower than previously predicted.

As of June 2020, there were an estimated 394,200 jobs in the County, a decrease of 53,100 jobs from a year earlier. The unemployment rate in San Mateo County has increased from 2.2% in June 2019 to 10.8% in June 2020. The San Carlos unemployment

rate has increased from 2.1% in June 2019 to 7.4% in June 2020. This compares with an unadjusted unemployment rate of 14.9% for California and 11.1% for the nation during the same period. As of June 2020, there were 929,100 jobs reported in Santa Clara County, an area to which our economic fortunes are closely linked. This represents a decrease of 95,800 jobs from one year earlier. Santa Clara County's unemployment rate has increased from 2.6% in June 2019 to 10.7% in June 2020.

In the last month, the National Association of Realtors released a report that shows an average sales price for existing homes nationwide was \$295,300 in June 2020. This number reflects an increase of 3.5% from June 2019. According to data from the San Mateo County Recorder, the median home price of a single-family home in San Carlos is \$1,925,000 as compared with \$1,970,000 from the same period a year ago, reflecting a decrease of 2.3%.

The COVID-19 pandemic has impacted every section of the state's economy and has caused record high unemployment. The mandated closure of restaurants, event spaces and touristic sites drastically impacted the economy. It will take years before consumer activity returns to normal.

The good news is that since COVID-19 pandemic did not shut down operations until March 2020, most of the FY 2019-20 had already passed. The General Fund is the primary operating fund of the City and is used to account for most day-to-day activities. FY 2019-20 General Fund revenues were higher than budgeted by approximately \$3.64 million primarily due to increases from property and other uses of money and property. General Fund expenditures are \$4.26 million less than the revised budget primarily due to salary savings from positions held vacant during the year and savings from the timing of professional services expenses that were tied to the large scale development projects.

### **Financial Policies**

In June 2008, the City Council approved financial policies formalizing long standing practices used in the past to prepare the budget. The policies were established to ensure that the City's finances are managed in a manner that will: (1) continue to provide for the delivery of quality services; (2) maintain and enhance service delivery as the community grows in accordance with the City's General Plan; (3) guarantee a balanced budget annually assuring that the City is always living within its means; and (4) establish reserves necessary to meet known and unknown future obligations. These financial policies are reviewed and updated as needed every two years as part of the biennial budget process. The City Council most recently adopted the financial policies on September 28, 2020 via Resolution 2020-071.

### **Financial Control**

The Finance Division of the City is responsible for: establishing and maintaining an appropriate internal control structure surrounding the safeguarding of assets; the reliability of financial records to prepare the financial statements in conformity with GAAP; and maintaining asset accountability. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe the City's systems of internal accounting

controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

### **Long-term Financial Planning and Major Initiatives**

#### **Long-term Financial Planning**

The City Council and City management continue to emphasize “structural balance” in the City’s financial planning. The City has established economic reserves to meet future opportunities and unexpected changes and has structurally aligned its revenues and expenditures to provide for a sustainable financial balance. To that end, the City has taken the following steps over the years:

- Budget revenues conservatively and expenditures at full cost;
- Maintain the condition of City facilities and infrastructure to optimize the use and minimize future repair/replacement costs;
- Maintain a highly motivated, talented, and well-trained workforce to serve the needs of the community;
- Retain municipal ownership of commercial properties and use ground leases to diversify the City’s revenue stream;
- Secure outside funding and/or low-cost debt financing, and set aside City resources to pay for capital improvement program projects; and
- Limit the growth of on-going expenses for City services to a financially sustainable level.

In FY 2019-20, the City Council and Executive Management staff continued the Strategic Planning process begun in FY 2005-06. As part of this process, the City retained two facilitators to lead us through the City’s Strategic Planning process. The process resulted in the review of the City’s Mission Statement, Vision Statement, Core Values, and the establishment of Goals and Objectives. The City Council appropriates the funds necessary to meet operating and capital activities and the adopted strategic goals and objectives.

#### **Major Events and Initiatives**

Highlights of the City’s major events and initiatives that were completed or in progress as of June 30, 2020 or soon after the year-end are as follows:

##### **COVID-19**

As a result of concerns over COVID-19, the San Mateo County Health Department recommended that all non-essential functions be cancelled. Therefore in March 2020, the City of San Carlos took the following actions:

- Closed the Adult Community Center (ACC);
- Closed the Youth Center following the closure of the schools;
- Closed City Hall to the public and moved the majority of employees to a remote work environment;
- Closed the San Carlos Library;
- Closed playgrounds and public restrooms;
- Moved Council and Commission meetings to online platforms;

- Cancelled private events in City facilities;
- Cancelled Youth Center and ACC activities, including senior trips, spring break camps, and activities.
- Suspended sports leagues; and
- Cancelled City events including: Hometown Days; Farmers' Market; Summer Concerts; and future events scheduled for the Fall/Winter time frame in accordance with the health orders.

The City Council also took additional steps to offer assistance to the public during this difficult time including the following:

- Established a Tenant Assistance Program in the amount of \$112,000 and authorized the City Manager to enter into an agreement designating Samaritan House as the program administrator;
- Donated \$112,000 to the San Mateo County Strong Fund, which was established to provide support to small businesses in San Carlos;
- Donated \$70,000 to One Life Counseling Program to support its food distribution program;
- Donated \$20,000 to the Caring Cupboard food assistance program;
- Approved the temporary closure of the 600-700 Blocks of Laurel Street and temporarily eliminated the parking on portions of Laurel Street and San Carlos Avenue to allow restaurants and businesses to use the right-of-way to extend outdoor dining and showcase merchandise; and
- Adopted a Resolution approving Street/Bicycle Loop Plans to encourage pedestrian activity.

In addition to all of the City Council actions, City staff has continued to implement all protocols and procedures necessary to keep our employees and the public safe.

### **Wildfire Mitigation Efforts and Outreach**

San Carlos, like many other communities is not immune to wildfire threat. It is important to regularly discuss emergency preparedness to make sure our community is ready for wildfire events. The City has hosted Wildfire Preparedness Community Meetings via Zoom and in person over the past 18 months. The purpose of these meetings is to continually remind the community about wildfire threats and emergency preparedness, and discuss available resources.

In the last two years, the City received two grants focusing on fuel management in parks and open spaces. The first grant is funded in part by the California Fire Safe Council in partnership with Fire Safe San Mateo County. Work funded by this grant will be done in Eaton and Big Canyon parks, which includes removal of vegetation using CALFIRE hand crews.

The second grant received is funded by the Federal Emergency Management Agency (FEMA) and will consist of fuels management in Crestview and Highlands parks and other areas identified during environmental review. The project requires the use of CALFIRE hand crews, goats, and heavy equipment.

### **Community Foundation Endowment**

The City reached a settlement with PG&E in reparations for PG&E's wrongdoing relating to improper communications regarding Natural Gas Line 147 in response

to the City's concerns about its safety. At the City Council meeting on April 10, 2017, staff reported on the amount of the settlement (\$6,000,000) and its status. On May 22, 2017, Council discussed the funds and decided to set aside \$2,000,000 as an endowment for a community foundation serving San Carlos. Funds for this purpose were then reserved in the City's General Fund Committed Fund Balances.

On November 12, 2019, the City Council adopted Resolution 2019-094 authorizing the City Manager to enter into an Endowment Fund Agreement and authorizing the transfer of Two Million Dollars (\$2,000,000) as an endowment to the San Carlos Community Foundation to benefit the San Carlos community subject to the Endowment Fund Agreement.

### **Unfunded Liability Pay-down**

The City established an Unfunded Liability Reserve several years ago to help offset the costs of pension and other pension related liabilities. On June 9, 2020, the City Council adopted Resolution 2020-030 that authorized the one-time transfer of \$7 million from this reserve to CalPERS. This one-time payment is estimated to save the City an average of \$895,000 for the next eight years (2021-2028) and \$451,000 over the following eight years (2029-2036).

### **Construction updates on large developments are noted below:**

#### **26 El Camino Real – Hyatt Place Hotel**

The hotel development includes the demolition of the existing 29-room hotel and construction of a new four-story hotel. The hotel will include 104 guest rooms, with below-grade parking and site landscaping. On-site hotel amenities include a lobby, enclosed pool, fitness center, and limited guest food service. The Planning Commission approved Design Review, Conditional Use Permit, and Grading and Dirt Haul for a new hotel development at its July 17, 2017 meeting. This project is currently under construction and is anticipated to be completed in the fall of 2021.

#### **887 Industrial Road (formerly known as Meridian 25)**

The City approved an application for a new Class A office complex on Industrial Road at the corner of Bransten Road in 2016. The project includes demolition of the existing industrial buildings and construction of two new office buildings, landscaping, outdoor amenity space, and a parking structure. The office buildings are six stories and include a total of approximately 528,520 square feet of floor area. The parking structure will have approximately 1,510 vehicle parking spaces over six levels; three levels will be underground, one at grade and two above-grade. The project also includes 151 short-term and 76 long-term bicycle parking spaces. The landscaping and amenity space is approximately two acres and includes 150 new trees. In 2018, the new property owner applied for revisions to the architectural design of the project. This project is currently under construction and is anticipated to be completed in early 2021.

### **930 Brittan Avenue**

The property owner demolished a portion of the existing building and replaced it with a new, three-story addition of approximately 14,000 square feet as well as a remodel of the existing single-story warehouse portion of the building. The portion of the building to remain was renovated to architecturally integrate with the new addition. Total square footage will be 26,561 square feet. The new space will be used for rental of laboratories. The concept will create space for small groups of scientists to test ideas that could prove pivotal in accelerating scientific innovations. This project was approved by the Planning Commission on December 18, 2017 and construction was completed in the summer of 2020.

### **1091 Industrial Road**

This project includes a three-story building with two levels dedicated to parking garage below grade with an amenity building serving food and drinks at building entry. As of June 30, 2020, demolition has been completed and construction is expected to commence in the fall of 2020 with an estimated completion date of summer 2022.

### **806 Alameda de las Pulgas**

The City received an application for 68 townhouse units at 806 Alameda de las Pulgas. The proposed project lies on an 11.4 acre site. The project is currently undergoing environmental review per the California Environmental Quality Act and a Public Hearing is anticipated for summer 2021. If approved, construction could begin as early as the fall of 2021 with an expected completion date of early 2023.

### **987 Commercial Street**

The City received a preliminary application for a science and technology campus. The proposed project consists of six buildings with varying heights, from five to seven floors and two parking garage structures seven levels above grade. The project will also include a one-story amenity pavilion and a park at the center of the site. Buildings will display contemporary architecture and materials. The project will be considered after the completion of the East Side Vision Study. A public hearing is anticipated in late 2021/early 2022. If approved, construction could begin as early as Summer 2022 an expected completion date of early 2024.

## **Financial Awards and Acknowledgements**

Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2019. This was the 26th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP 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 we are submitting it to the GFOA to determine its eligibility for another certificate.

This report represents the culmination of months of work by dedicated staff in the Administrative Services Department-Finance Division. Special thanks go to Financial Services Manager, Carrie Tam, Senior Accountants Tammy Mak and Paul Harris, Accounting Technicians Andrew Tina and Marco Lao, Administrative Assistant Cheryl Hong, City Treasurer Michael Galvin, and the audit staff at Maze & Associates. Credit also must be given to City Council for its unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Jeff D. Maltbie  
City Manager



Rebecca Mendenhall  
Administrative Services Director

# City of San Carlos

## Directory of Officials

June 30, 2020

### CITY COUNCIL

Ron Collins, Mayor  
Laura Parmer-Lohan, Vice Mayor  
Mark Olbert, Council Member  
Adam Rak, Council Member  
Sara McDowell, Council Member

### CITY CLERK

Crystal Mui, City Clerk/Community Relations Director

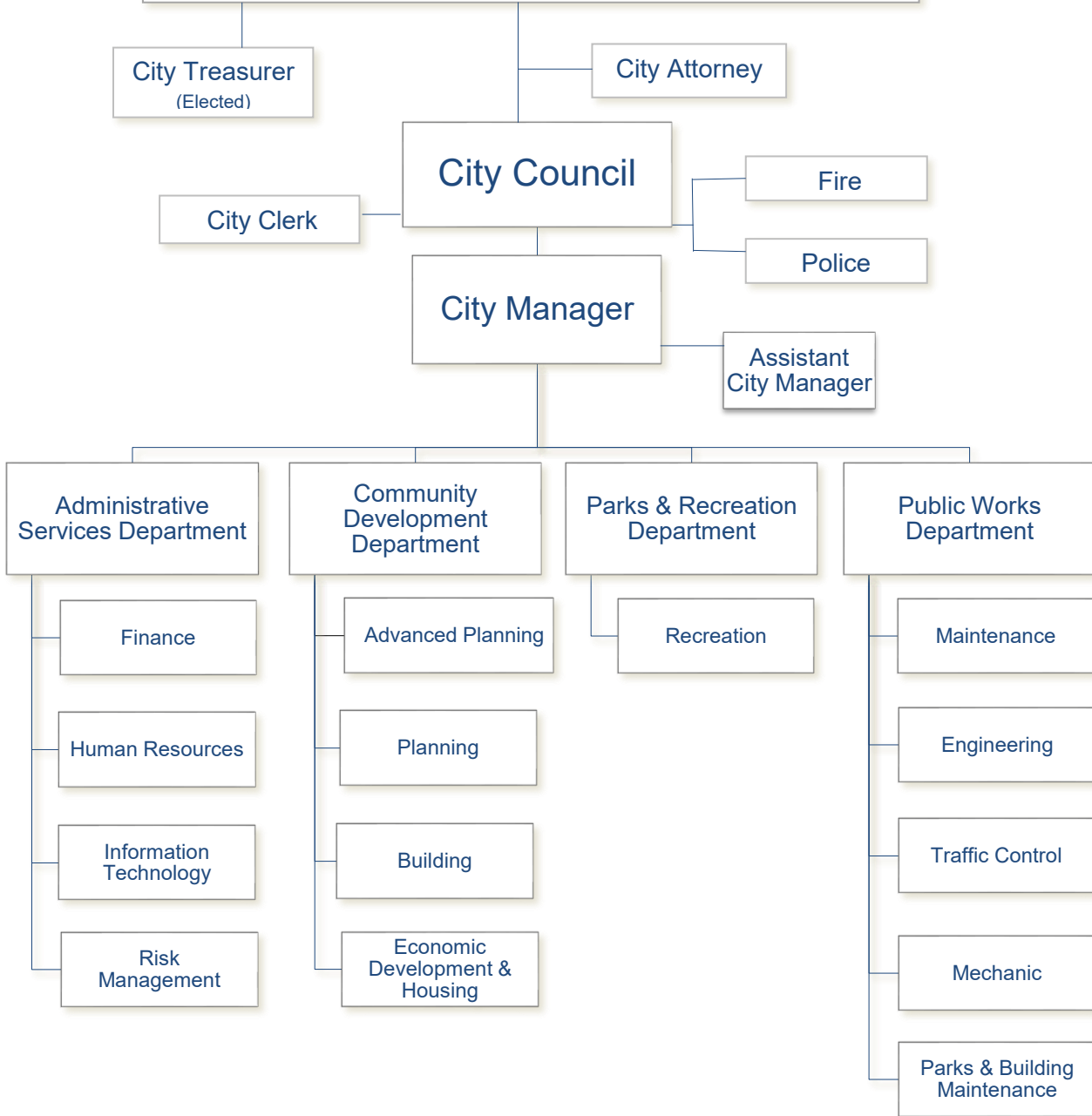
### CITY TREASURER

Michael J. Galvin, City Treasurer

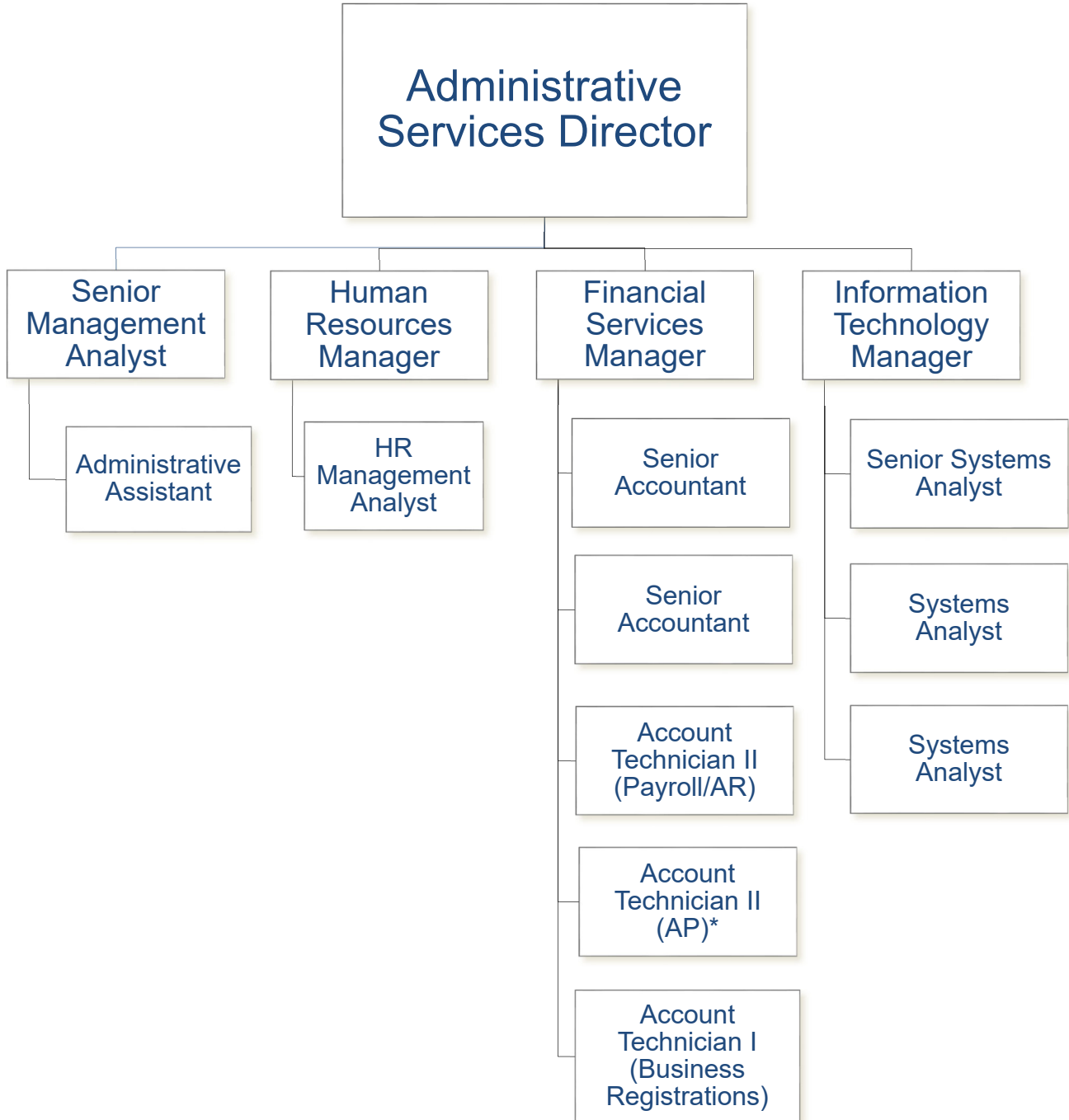
### ADMINISTRATION

Jeff Maltbie, City Manager  
Tara Peterson, Assistant City Manager  
Gregory J. Rubens, City Attorney  
Mark Duri, Police Chief  
Rebecca Mendenhall, Administrative Services Director  
Amy Newby, Parks & Recreation Director  
Steven Machida, Public Works Director  
Al Savay, Community Development Director  
Dave Pucci, Acting Fire Chief  
Chuck Lax, Acting Deputy Fire Chief

# The Residents of the City of San Carlos



# Administrative Services



\*Position is currently underfilled



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of San Carlos  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morrill*

Executive Director/CEO

This Page Left Intentionally Blank

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council  
City of San Carlos, 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 San Carlos, California, as of and for the year ended June 30, 2020, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements 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 Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates 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 Supplementary Information is 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 September 30, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
September 30, 2020

This Page Left Intentionally Blank

## MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

This section of the City's Comprehensive Annual Financial Report presents an overview and analysis of the City's financial activities for the fiscal year ending June 30, 2020. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

### FINANCIAL HIGHLIGHTS

#### **City-wide:**

- Total City assets increased by \$12.0 million to \$322.2 million, of which \$257.7 million represented governmental assets and \$64.5 million represented business-type assets.
- City deferred outflows related to pension and other post-employment benefits (OPEB) increased by \$5.0 million to \$18.9 million, of which \$17.1 million represented governmental deferred outflows related to pension and other post-employment benefits and \$1.8 million represented business-type deferred outflows related to pension and other post-employment benefits.
- Total City liabilities increased by \$2.9 million to \$61.7 million, of which \$57.6 million were governmental liabilities and \$4.1 million were business-type liabilities.
- City deferred inflows related to pension and OPEB decreased by \$1.0 million to \$6.7 million, of which \$6.1 million were governmental deferred inflows related to pension and other post-employment benefits and \$0.6 million were business-type deferred inflows related to pension and other post-employment benefits.
- The City's assets and deferred outflows of resources exceeded the liabilities and deferred inflows by \$272.7 million (net position), which increased by \$15.1 million. Of this amount, \$39.6 million represented unrestricted net position for governmental activities, which may be used to meet the government's ongoing obligations to residents and creditors. The restricted net position for business-type activities was \$29.5 million.
- City-wide revenues were \$85.2 million, of which \$64.6 million were generated by governmental activities that increased by \$4.3 million and \$20.6 million were generated by business-type activities, which increased by \$2.0 million.
- City-wide expenses were \$70.1 million, of which \$58.3 million were incurred by governmental activities and \$11.8 million were incurred by business-type activities.

#### **Fund Level:**

- Governmental funds decreased by \$4.2 million to \$90.3 million. Of this amount, \$2.9 million, or 3.2%, was unassigned fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$62.3 million, an increase of \$2.1 million from the prior year.
- Governmental Fund expenditures were \$69.3 million, an increase of \$25.1 million from the prior year.
- Enterprise Fund net position increased by \$8.2 million to \$61.6 million. Of this amount, \$29.5 million, or 47.9%, was restricted for enterprise activities.
- Enterprise Fund operating revenues were \$20.0 million in fiscal year 2020 compared to \$18.3 million in the prior year.
- Enterprise Fund operating expenditures were \$13.3 million, an increase of \$0.8 million from \$12.5 million in the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of six parts: 1) introductory section; 2) management’s discussion and analysis (this section); 3) basic financial statements; 4) required supplementary information; 5) an optional section that presents combining statements for non-major governmental funds and internal service funds; and 6) a statistical section.

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are **government-wide financial statements** that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are **fund financial statements** that focus on individual parts of the City government, reporting the City’s operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services, like public safety, were financed in the *short term* and what remains for future spending.
  - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates like businesses, such as the sewer system.
  - *Fiduciary fund* statements provide information about fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides additional financial and budgetary information.

Figure A-1 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

Figure A-1  
City of San Carlos Comprehensive Annual Financial Report (CAFR)

Comprehensive Annual Financial Report (CAFR)	<i>Introductory Section</i>	<b>Introductory Sections</b>			
	<i>Financial Section</i>	<b>Management’s Discussion and Analysis</b>			
		<b>Government-wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		Statement of Net Position	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
			Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
			Reconciliation of the Governmental Funds Balance Sheet		
		Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balance	Statement of Revenues, Expenses and Changes in Fund Net Position	Statement of Changes in Fiduciary Net Position
			Reconciliation of the Net Changes in Fund Balances	Statement of Cash Flows	
		<b>NOTES TO THE FINANCIAL STATEMENTS</b>			
	<b>REQUIRED SUPPLEMENTARY INFORMATION</b>				
<b>INFORMATION ON INDIVIDUAL NON-MAJOR FUNDS AND OTHER SUPPLEMENTARY INFORMATION</b>					
<i>Statistical Section</i>	<b>STATISTICAL SECTION</b>				

## Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is: "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and deferred outflows of resources and liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and the changes in it. One can think of the City's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. One will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City's services into two kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, such as Senate Bill 1 (SB 1) funding for transportation, street, and road rehabilitation, and other revenues finance most of these activities.
- *Business-type activities* – The City charges a fee to customers to help cover all or most of the cost of the services related to the Wastewater Enterprise Fund.

## Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting administrative responsibilities for using certain taxes, grants or other monies. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other current financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in the reconciliation that follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities.

## Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency Funds include: the City/County Association of Governments of San Mateo County (C/CAG); and the Peninsula Traffic Congestion Relief Alliance (Commute.org). The Private Purpose Trust Fund is used to report resources held in trust for the Successor Agency of the former Redevelopment Agency (RDA).

## Government-Wide Statement Summaries

Net position may over time serve as a useful indicator of a City's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$272.7 million at June 30, 2020.

### Net Position

Table 1 below reflects the City's net position as of June 30, 2020 and June 30, 2019:

**Table 1**  
**City's Comparative Statement of Net Position**  
**June 30, 2020 and 2019**  
(Amounts in Millions)

	Governmental Activities		Business - Type Activities		All Government		Total % Change
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 103.2	\$ 104.9	\$ 32.4	\$ 25.4	\$ 135.6	\$ 130.3	4.1%
Capital assets	154.5	148.4	32.1	31.5	186.6	179.9	3.7%
<b>Total Assets</b>	<b>257.7</b>	<b>253.3</b>	<b>64.5</b>	<b>56.9</b>	<b>322.2</b>	<b>310.2</b>	<b>3.9%</b>
Deferred outflows related to pension	17.1	12.6	1.8	1.3	18.9	13.9	36.0%
<b>Total deferred outflow</b>	<b>17.1</b>	<b>12.6</b>	<b>1.8</b>	<b>1.3</b>	<b>18.9</b>	<b>13.9</b>	<b>36.0%</b>
Current and other liabilities	9.1	7.3	0.7	0.4	9.8	7.7	27.3%
Long-term obligations	48.5	47.5	3.4	3.6	51.9	51.1	1.6%
<b>Total Liabilities</b>	<b>57.6</b>	<b>54.8</b>	<b>4.1</b>	<b>4.0</b>	<b>61.7</b>	<b>58.8</b>	<b>4.9%</b>
Deferred inflows related to pension	6.1	6.9	0.6	0.8	6.7	7.7	-13.0%
<b>Total deferred inflow</b>	<b>6.1</b>	<b>6.9</b>	<b>0.6</b>	<b>0.8</b>	<b>6.7</b>	<b>7.7</b>	<b>-13.0%</b>
Net Position:							
Net investment in capital assets	\$ 151.3	\$ 144.9	\$ 32.1	\$ 31.5	\$ 183.4	\$ 176.4	4.0%
Restricted	20.2	22.0	29.5	21.9	49.7	43.9	13.2%
Unrestricted	39.6	37.3	-	-	39.6	37.3	6.2%
<b>Total Net Position</b>	<b>\$ 211.1</b>	<b>\$ 204.2</b>	<b>\$ 61.6</b>	<b>\$ 53.4</b>	<b>\$ 272.7</b>	<b>\$ 257.6</b>	<b>5.9%</b>

The largest portion of the net position (67.3%) reflects the City's \$183.4 million investment in capital assets less any capital-related outstanding debt. Capital assets are the aggregated value of land, infrastructure, equipment, buildings, and improvements that are used to provide services. Their value is reported net of related debt because the funds to repay the debt come from other sources. The City's capital assets cannot be sold and used to liquidate liabilities. This portion for the net position increased by \$7.0 million, or 4.0%, over the prior year mainly because of the addition in capital assets associated with new equipment purchases and construction projects that were completed or underway, such as the Park Restroom Renovation and Replacement project, the San Carlos Ave Pedestrian Safety Improvements, the Upgrade of the Existing Sports Field Lighting at Burton and Highlands Parks, the new street sweeper, new IT server equipment, and an emergency off-road response vehicle for wildfire mitigation and Search and Rescue.

Another portion of the City's net position is subject to external restrictions, such as debt covenants, grantor's stipulations, or enabling legislation, on how it may be used. As of June 30, 2020, the restricted assets were 18.2%, or \$49.7 million, of the total net position. Of this amount, \$29.5 million is restricted for business-type activities, \$13.9 million for low and moderate income housing, \$2.7 million for capital projects such as street rehabilitation and maintenance, and \$1.0 million for debt service. The remaining amount relates to Police grants and the Park In-Lieu fees.

The unrestricted net position of \$39.6 million represents the remaining balance of the net position. The remaining portion of the unrestricted net position may be used to meet the City's ongoing and unexpected expenses, including facility and infrastructure improvements, pension-related liabilities, property acquisition, and emergency repairs and replacement.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole and for its separate governmental and business-type activities. The City reported positive balances in these categories for the prior fiscal year as well.

### Statement of Activities and Changes in Net Position

The City's net position increased by \$15.1 million, amounting to \$272.7 million during the fiscal year ended June 30, 2020, as indicated in the Statement of Activities and Changes in Net Position (see Table 2 below).

**Table 2**  
**Statement of Activities and Changes in Net Position**  
**June 30, 2020 and 2019**  
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		All Government		% change
	2020	2019	2020	2019	2020	2019	
<b>Program Revenues:</b>							
Charges for Services	\$ 8.7	\$ 9.0	\$ 20.0	\$ 18.3	\$ 28.7	\$ 27.3	5.1%
Operating Grants & Contributions	6.2	4.6	-	-	6.2	4.6	34.8%
Capital Grants & Contributions	3.7	1.5	-	-	3.7	1.5	146.7%
<b>General Revenues:</b>							
Property Taxes	16.9	16.0	-	-	16.9	16.0	5.6%
Other Taxes	19.3	20.2	-	-	19.3	20.2	-4.5%
Other General Revenues	9.8	9.0	0.6	0.3	10.4	9.3	11.8%
<b>Total Revenues</b>	<b>\$ 64.6</b>	<b>\$ 60.3</b>	<b>\$ 20.6</b>	<b>\$ 18.6</b>	<b>\$ 85.2</b>	<b>\$ 78.9</b>	<b>8.0%</b>
<b>Program Expenses:</b>							
General Government	\$ 14.3	\$ 6.4	\$ -	\$ -	\$ 14.3	\$ 6.4	123.4%
Community Development	7.0	4.6	-	-	7.0	4.6	52.2%
Public Safety	21.4	20.2	-	-	21.4	20.2	5.9%
Public Works	12.5	9.2	-	-	12.5	9.2	35.9%
Parks & Recreation	3.0	3.9	-	-	3.0	3.9	-23.1%
Sewer Operations	-	-	11.8	12.8	11.8	12.8	-7.8%
Interest Expenses	0.1	0.1	-	-	0.1	0.1	0.0%
<b>Total Expenses</b>	<b>\$ 58.3</b>	<b>\$ 44.4</b>	<b>\$ 11.8</b>	<b>\$ 12.8</b>	<b>\$ 70.1</b>	<b>\$ 57.2</b>	<b>22.6%</b>
Inc/(Dec) in Net Position before transfers and extraordinary gain	\$ 6.3	\$ 15.9	\$ 8.8	\$ 5.8	\$ 15.1	\$ 21.7	-30.4%
Transfers	0.6	0.6	(0.6)	(0.6)	-	-	0%
<b>Change in Net Position</b>	<b>\$ 6.9</b>	<b>\$ 16.5</b>	<b>\$ 8.2</b>	<b>\$ 5.2</b>	<b>\$ 15.1</b>	<b>\$ 21.7</b>	<b>-30.4%</b>
Beginning Net Position	\$ 204.2	\$ 187.7	\$ 53.4	\$ 48.2	\$ 257.6	\$ 235.9	9.2%
<b>Ending Net Position</b>	<b>\$ 211.1</b>	<b>\$ 204.2</b>	<b>\$ 61.6</b>	<b>\$ 53.4</b>	<b>\$ 272.7</b>	<b>\$ 257.6</b>	<b>5.9%</b>

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Net Position summarized in Table 2 above.

As of June 30, 2020, the City's total net position was \$272.7 million. This is an increase of \$15.1 million, or 5.9%, from the prior year. The changes in net position are explained in the following paragraphs. Total revenue of all government-wide activities was \$85.2 million, an increase of \$6.3 million, or 8.0%, while the total expense of all government-wide activities increased by \$12.9 million, or 22.6%, to \$70.1 million.

### **Governmental Activities**

Net position in the governmental activities totaled \$211.1 million, an increase of \$6.9 million, or 3.4%, from the prior year.

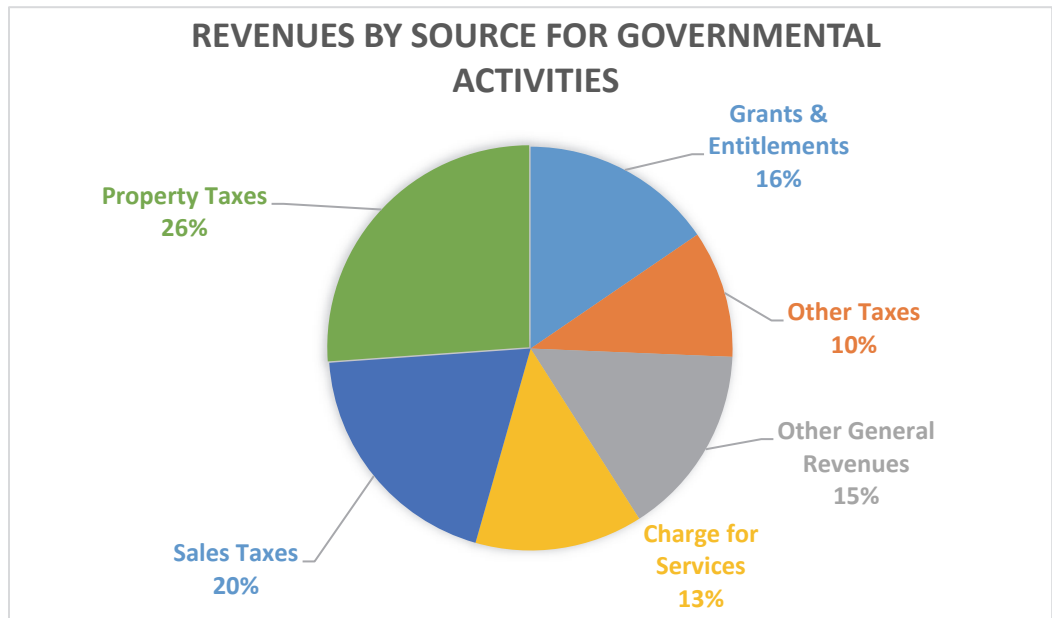
Total revenue for the City's governmental activities before extraordinary gain and transfers increased by \$4.3 million, or 7.1%, to \$64.6 million. Total governmental activity expenses increased by \$13.9 million, or 31.3%, to \$58.3 million. Transfers into governmental activities from the Wastewater Fund were \$0.6 million, which was the same as the previous fiscal year.

As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through City taxes was \$36.2 million, as some of the cost was paid by those who directly benefited from the programs (\$8.7 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$9.9 million), or by other general revenues (\$9.8 million).

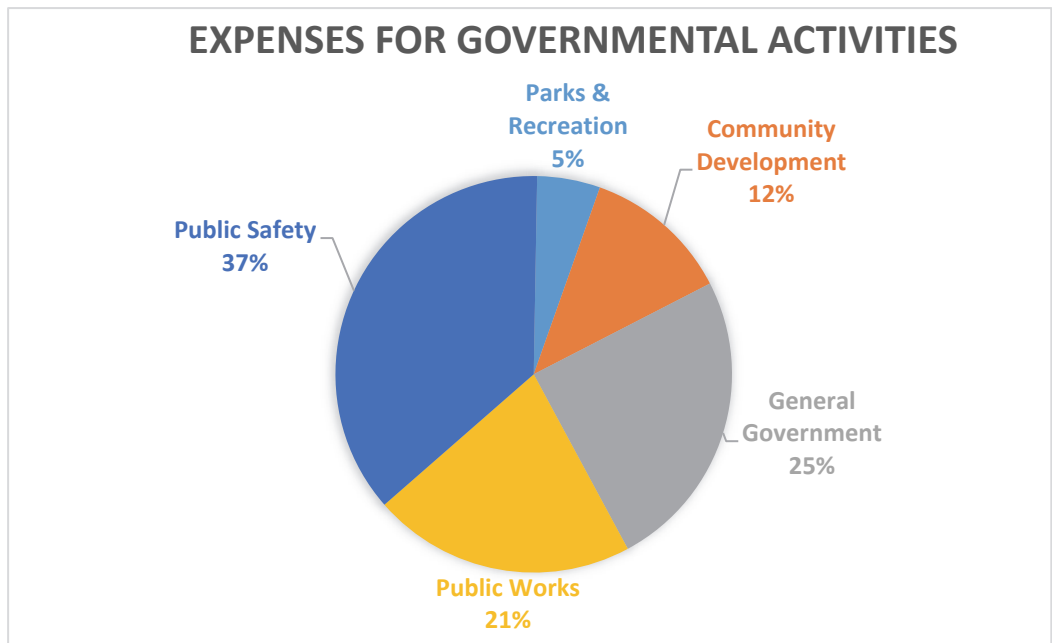
The reasons for significant changes in the revenues and expenses of the City's governmental activities are as follows:

- Property Taxes increased by \$0.9 million, or 5.6%, to \$16.90 million primarily due to the increase in the assessed value of properties from new developments, transfers of ownership, and the sale of properties. This was combined with larger pass through payments and residual amounts from the Redevelopment Property Tax Trust Fund distributions.
- Sales Taxes decreased by \$0.3 million, or 2.3%, to \$12.6 million in comparison with the prior year mainly due to the impact of the COVID-19 pandemic and the resultant public health shelter-in-place orders that temporarily closed businesses and impacted consumer spending patterns, particularly with regard to restaurants and hotels, fuel and service stations, and autos and transportation.
- Charges for Services decreased slightly by \$0.3 million, or 3.3%, to \$8.7 million, mainly due to the impact from the COVID-19 pandemic that led to the closure of City Hall, City parks, and cessation of most Parks and Recreation classes following the public health shelter-in-place orders. Revenue related to development activities typically fluctuates from year to year depending on the timing of large construction projects and when developers pull their permits.
- Operating Grants and Contributions increased by \$1.6 million, or 34.8%, to \$6.2 million, due to higher affordable housing in-lieu fees received from large development projects compared to the prior year.
- Capital Grants and Contributions increased by \$2.2 million, or 146.7%, to \$3.7 million, mainly due to \$0.8 million in Measure A funding for the San Carlos Ave Pedestrian Safety Improvement capital project, and a \$1.1 million transfer of former Redevelopment Agency housing bond proceeds from the Successor Agency for future housing projects. Also within this category was \$1 million in PG&E settlement funds, allocated towards capital projects. As noted previously, revenue related to development activities can fluctuate from year to year depending on the timing of large construction projects and when developers pull their permits.
- Other General Revenues increased by \$0.8 million, or 8.9%, to \$9.8 million, from the prior year. The increase is due to greater investment income and greater revenue from the City's billboards.





- Governmental Expenses totaled \$58.3 million in the fiscal year 2020, an increase of \$13.9 million from the prior year's expenses of \$44.4 million. The increase is mainly associated with the one-time pay-down of \$7.0 million to the pension plan, an increase in Public Safety contract costs, increases in professional services and contractor costs in Community Development and increased capital project expenditures compared to the previous year.



## ***Business-Type Activities***

Business-type activities' total net position for fiscal year 2020 was \$61.6 million, an increase of \$8.2 million, or 15.4%, from the prior year as indicated in the Statement of Activities and Changes in Net Position. The change in Net Position was higher in the current fiscal year when compared to the prior year primarily due to higher year end cash balances caused by an increase in sewer rates and greater investment returns, and an adjustment to the City's investment in Silicon Valley Clean Water ("SVCW"), which reflected a net increase in the investment of \$1.4 million. Every year the City adjusts this investment based on the City's proportion of financial activity in SVCW. SVCW (formerly the South Bayside System Authority) was formed in 1975 between the cities of San Carlos, Belmont, Redwood City, and the West Bay Sanitation District to operate a wastewater treatment facility. The cost of operating and maintaining the facility is divided in proportion to the volume of sewage entering from each member entity.

The restricted portion of the ending net position includes \$7.6 million in investment in the SVCW joint venture that is not readily available for day-to-day operational spending. As of June 30, 2020, the City's direct obligation is approximately \$83.8 million. Since the City reports the SVCW joint venture as net investment, this obligation is not directly reported in the City's financial statements as long-term debt. More information can be found in Note 13d to the Financial Statements.

## **Financial Analysis of the City's Funds**

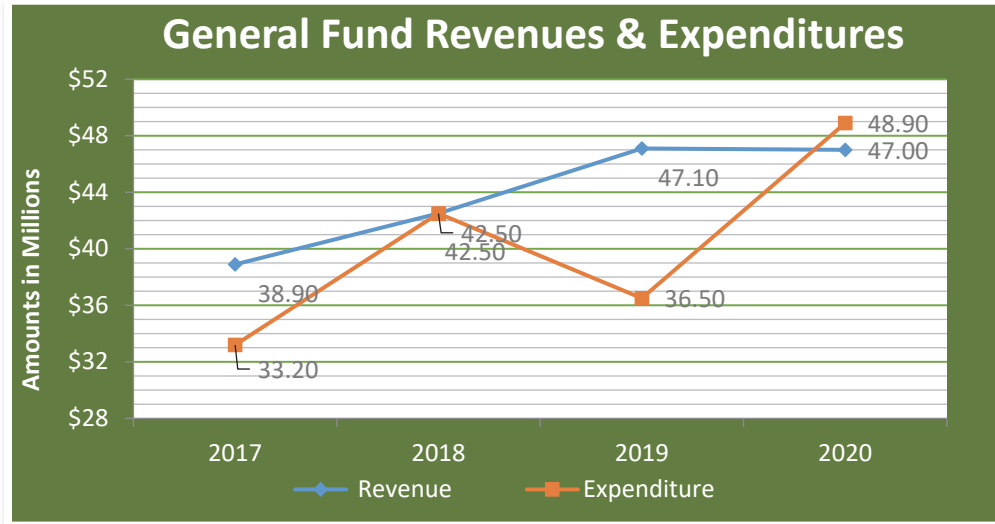
As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

### *Governmental Funds*

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance in the General Fund was \$36.4 million, representing a decrease of \$2.0 million, or 5.2%, lower than the fiscal year 2019 fund balance of \$38.4 million. This decrease is explained in the following paragraphs.

The General Fund's total revenues decreased slightly by \$0.1 million, or 0.2%, to \$47.0 million compared to the prior fiscal year amount of \$47.1 million. The General Fund expenditures totaled \$48.9 million, an increase of \$12.4 million, or 34.0%, from prior year expenditures of \$36.5 million. The increase in expenditures was primarily caused by a one-time pay-down of \$7.0 million to the pension plan, increased salaries and benefit costs, and extraordinary expenditures incurred in response to the COVID-19 pandemic.

The following chart shows the revenues and expenses over the years:



General Fund Actual Revenues (Amounts in Millions)				
	FY 17	FY 18	FY 19	FY 20
Total Revenues	\$ 38.9	\$ 42.5	\$ 47.1	\$ 47.0
Dollar Change	N/A	\$ 3.6	\$ 4.6	\$ (0.1)
Percentage Change	N/A	9.3%	10.8%	-0.2%

Significant changes in the revenues of the City's General Fund from the prior year are as follows:

- Property Taxes increased by \$0.8 million, or 5.6%, primarily due to the increase in the assessed value of properties for new developments, transfers of ownership, and the sale of properties.
- Sales Taxes decreased by \$0.6 million, or 5.1%, in comparison with the prior year due to the impacts of the COVID-19 pandemic and the resultant public health shelter-in-place orders that temporarily closed many local businesses and disrupted spending patterns.
- Charges for Services decreased by \$0.3 million, or 6.5%. This was primarily due to cancellation and restructuring of most of the City's Parks and Recreation classes in the last quarter of the year due to the COVID-19 pandemic and associated public health orders.
- Use of Money and Property increased by \$0.7 million, or 18.3%. The increase is primarily a result of higher revenue from the City's billboards – the second billboard was online for the full year compared to just part of the previous year, and the third billboard came online during the current year.
- Revenues from Licenses and Permits remained flat when compared to the previous year. While the previous year was particularly strong in this category due to the onset of several large projects, demand for building, electrical, plumbing, encroachment, and mechanical permits remained high partly due to many residents working from home in response to the COVID-19 pandemic and opting to perform smaller construction projects during that time.
- Business Registration remained flat at \$1.0 million compared to the prior year.

- Transient Occupancy Tax, or TOT, decreased by \$0.7 million, or 21.2%, compared to the prior year despite an increase in tax rate on January 1, 2020 from 12.0% to 12.5% due to the passage of Measure QQ. This measure increased the local hotel tax on hotel guests from 10% to 12% beginning on January 1, 2019 with an annual increase of 0.5% and capped at 14%. The main reason for the decrease in TOT was the large drop in hotel occupancy as a result of the COVID-19 pandemic. Public Health shelter-in-place orders led to many businesses closing their campuses and transitioning to a remote-working model, which led to significantly less business travel into the area and reduced demand for hotel rooms.
- Vehicle In-Lieu revenues (“VLF”) remained flat at \$3.6 million compared to the prior year. In May 2004, Governor Schwarzenegger proposed a swap of city and county vehicle license fees revenues for additional property tax share as a part of a state-local budget agreement. The County of San Mateo is experiencing a shortfall county-wide in VLF, which is impacting all agencies in the county. The City’s shortfall is due to the deficiency of available property taxes that were specifically designated to fund VLF. The County is working with the State to recover the shortfall, but the soonest it will be paid will be FY 2021-22.
- Other General Revenues decreased by \$0.1 million, or 8.4%, from the prior year. The decrease is primarily a result of the cessation of Fiscal Agent services to the South Bayside Waste Management Authority on June 30, 2019.

<b>General Fund Actual Expenditures*</b>				
(Amounts in Millions)				
	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>
Total Expenditures	\$ 33.2	\$ 42.5	\$ 36.5	\$ 48.9
Dollar Change	N/A	\$ 9.3	\$ (6.0)	\$ 12.4
<b>Percentage Change</b>	<b>N/A</b>	<b>28.0%</b>	<b>-14.1%</b>	<b>34.0%</b>

\*General Fund actual expenditures includes a \$7.0 million payment towards California Public Employees Retirement System (CalPERS) Unfunded Pension Liability and Other Post-Employment Benefit (OPEB) Trusts in FY 2018 and a \$7.0 million payment of CalPERS Unfunded Pension Liability in FY 2020.

Significant changes in the expenditures of the City’s General Fund from the prior year are as follows:

- General Government Expenditures increased by \$10.4 million, or 193.0%. The increase is primarily associated with the one-time payments from the General Fund Assigned Reserve funds in the amount of \$7.0 million to CalPERS to pay-down the pension liability, and \$2.0 million endowment to the Community Foundation of San Carlos. Unanticipated emergency expenditures related to the COVID-19 pandemic also contributed to the increase.
- Community Development Expenditures increased by \$0.9 million, or 22.0%, largely due to a greater need for consultants and contractors to assist with economic development and planning projects, and an increase in salaries and benefits costs.
- Public Safety Expenditures were \$0.8 million, or 4.0%, higher than the previous year. The primary reason for the change is contract increases for fire, police, and dispatch services.
- Public Works Expenditures increased by \$0.4 million, or 9.2%, mainly due to a rise in salaries and benefits costs.
- Parks and Recreation Expenditures decreased slightly by \$0.1 million, or 1.7%, mainly due to a reduced need for instructors as a result of cancellation of programs and classes due to the COVID-19 pandemic.

*Capital Improvement Fund* – This fund has a fund balance of \$28.2 million at the close of fiscal year 2020, which represents a decrease of \$1.0 million from the prior year. Significant changes in the Capital Improvement Fund are as follows:

- Transfers between the General Fund and the Capital Improvement Fund remained broadly flat compared to the prior year.
- Licenses and Permits, and Traffic Impact Mitigation Fees, increased by \$0.2 million compared to the prior year due to more large-scale development project fees received than in the previous fiscal year.
- Other Revenue decreased by \$0.5 million due to a one-time contribution from the Palo Alto Medical Foundation in the prior year totaling \$0.5 million for the Holly Street/US 101 Interchange project.
- Property Taxes increased by \$0.1 million due to an increase in assessed values.
- Funding From Other Agencies amounted to \$0.9 million, as \$0.8 million in grants was received for the San Carlos Avenue Pedestrian Safety Improvements project, and a \$0.1 million Transportation Development Act grant for the Bicycle and Pedestrian Master Plan project.
- Capital Project Expenditures increased by \$5.1 million due to the timing and scale of capital projects such as the Park Restroom Replacement project, the San Carlos Avenue Pedestrian Safety Improvements, the Upgrade of Existing Lighting at Highlands and Burton Parks, and the Holly Street/US 101 Interchange projects. Despite the increase, some capital projects were deferred to future fiscal years as a result of the COVID-19 pandemic and its impact on the ability of contractors to perform work.

*Housing Capital Projects Fund* – This fund is used to account for affordable housing-related financial activities. As of June 30, 2020, it has a fund balance of \$13.9 million, which is restricted for housing purposes. The fund balance decreased by \$1.1 million compared to the prior year primarily due to the purchase of property at 817 Walnut Street and 1232 Cherry Street for affordable housing development projects. These expenditures were partially offset by an increase in Affordable Housing-In-Lieu fees received during the year and a \$1.1 million transfer of former Redevelopment Agency housing bond proceeds from the Successor Agency for future housing projects.

*Other Governmental Funds* – The total fund balance for the Other Governmental Funds decreased slightly to \$11.8 million compared with \$11.9 million in the previous fiscal year, a decrease of \$0.1 million, or 0.5%. This was due to increased expenditures on capital-related projects.

*Major Enterprise Fund* – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements. The Wastewater Fund is the only enterprise fund reported in the proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Position.

The Wastewater Fund's total net position at the end of the fiscal year was \$61.6 million, an increase of \$8.2 million, or 15.3%. The operating revenues in the Wastewater Fund of \$20.0 million increased by \$1.7 million when compared to the previous fiscal year due to a 4.5% increase in the sewer rates and greater returns on invested cash balances.

Also, as stated previously, the City recorded an adjustment in the investment in SVCW during this fiscal year of \$1.4 million. More detail on the investment can be found in Note 13d. Included in the \$61.6 million ending net position, \$12.7 million is restricted for capital projects, \$3.4 million is restricted for debt service, \$2.1 million is restricted for pension and other benefits programs and \$11.2 million is restricted for sewer system maintenance.

*Internal Service Funds* – The City uses internal service funds to account for risk management, including worker's compensation, general liability, and property insurance. The Longevity Benefits Fund is used to account for other post-employment benefits (OPEB) for retired employees.

## General Fund Budgetary Highlights

The final General Fund budget differs from the original adopted budget by \$10.2 million mainly because of amendments approved by City Council during the year. There were increases in budgeted expenditures and transfers out. The changes were as follows:

- Increase in the General Government expenditure budget by \$9.4 million, the majority of which was related to payments from the General Fund Assigned Reserves: \$7.0 million from the Unfunded Liability Reserve to pay down the CalPERS pension liability and \$2.0 million from the Community Foundation Endowment Reserve to the Community Foundation of San Carlos. The remainder of the increase was primarily for COVID-19 related expenses.
- Increase in the Community Development budget by \$0.2 million for additional professional services and creation of a new Advanced Planning division.
- Increase in the transfer out from the General Fund to the Capital Projects Fund by \$0.5 million for property acquisition.

Major deviations between the final budget of the General Fund and its actual operating results were as follows:

Total revenues were greater than the final budget by \$3.6 million, or 8.4%. The City's policy is to budget conservatively. Revenues are estimated using accepted standards and estimates provided by the State, other governmental agencies and outside consultants.

- Property Taxes exceeded budget by \$2.1 million, or 17.6%. The increases reflect higher secured tax rolls from new developments, sales of properties, and property transfer activities.
- Sales Taxes were slightly lower than budget by \$0.1 million, or 0.6%, mostly due to the COVID-19 pandemic that severely disrupted spending patterns in the fourth quarter as public health shelter-in-place orders caused many businesses to close temporarily and residents to stay at home. It particularly affected the revenues received from restaurants and hotels, fuel and service stations, and autos and transportation groups.
- Vehicle In-Lieu came in very close to budget at just \$0.1 million under, or 2.6%.
- Business Registration exceeded budget by \$0.1 million, or 9.9%, due to scheduled annual rate increases and increased efforts in collecting delinquent business registration fees.
- Transient Occupancy Taxes were lower than budget by \$0.7 million, or 23.0%, due to the heavy impact of COVID-19 on hotel occupancy rates during the fourth quarter. The pandemic forced many hotels to temporarily close, and businesses to transition to a remote working model resulting in significantly fewer travelers coming into the area.
- Use of Money and Property Revenues were greater than budget by \$1.9 million, or 79.7%, due to an increase in investment income, a more favorable fair value adjustment and greater revenue from the billboards.
- Current Charges for Services were less than budget by \$0.5 million, or 11.0%, due to the cancellation of many Parks and Recreation classes and programs as a direct result of the COVID-19 pandemic and the related public health shelter-in-place orders.
- License and Permit Revenues exceeded the budget by \$0.7 million, or 42.8%, due to new residential and commercial building projects and renovations of existing properties.
- Other Revenue exceeded budget by \$0.2 million, or 11.4%, due to increases in cost reimbursements from the joint power authorities.

Total expenditures were under budget by \$4.3 million, or 8.0%.

- Salaries and Benefits were under budget by \$1.5 million, or 6.2%, due to the salary and benefit savings realized from vacant positions during the fiscal year and the savings generated from the prepayment of pension obligations in fiscal year 2018.
- Operating Expenditures were under budget by \$2.8 million, or 8.9%, primarily in professional services due to the delays in the start and completion of certain projects and major developments exacerbated by the COVID-19 pandemic, and cost savings from fuel and vehicle maintenance, equipment purchase and maintenance, instructors, and legal services.

### Other Budgetary Highlights

Capital Outlay for total Governmental Funds was also under budget by \$43.7 million primarily due to delays in the Holly Street/US 101 Interchange project as well as delays in numerous other projects caused by the COVID-19 pandemic. The majority of these projects will roll forward to the next fiscal year.

### Capital Assets and Debt Administration

#### Capital Assets

The City's investment in capital assets for government and business-type activities amounts to \$186.6 million as of June 30, 2020. The investment in capital assets includes land, buildings, machinery and equipment, park facilities, roads and streets. The total increase in capital assets for fiscal year 2020 is \$6.7 million, or 3.7%. The increase relates to the current year capital assets additions. The increase is offset by the increase in depreciation and retirement of capital assets.

Capital Assets June 30, 2020 and 2019 (Amounts in Millions)								
	Governmental Activities		Business Type Activities		All Government		% Change	
	2020	2019	2020	2019	2020	2019		
Land and other assets not being depreciated	\$ 80.4	\$ 73.3	\$ 0.2	\$ 0.2	\$ 80.6	\$ 73.5	9.7%	
Facilities, infrastructure and equipment, net of depreciation	74.1	75.1	31.9	31.3	106.0	106.4	-0.4%	
<b>Total</b>	<b>\$ 154.5</b>	<b>\$ 148.4</b>	<b>\$ 32.1</b>	<b>\$ 31.5</b>	<b>\$ 186.6</b>	<b>\$ 179.9</b>	<b>3.7%</b>	

For the government-wide statement of net position presentation, all depreciable capital assets are depreciated from the acquisition date to the end of the current fiscal year.

Governmental fund financial statements record capital asset purchases as expenditures. Ongoing infrastructure projects are accounted for in construction-in-progress. Additional information about the City's capital assets can be found in Note 5 to the financial statements

## Long-Term Obligations

At the end of the fiscal year 2020, the City had total outstanding long-term obligations of \$3.1 million, a decrease of 8.8%, due to the pay down of the General Obligation (“GO”) bond.

Outstanding Long-Term Obligations			
June 30, 2020 and 2019			
(Amounts in Millions)			
	Governmental Activities		% Change
	2020	2019	
2015 GO Refunding Bond	\$ 3.1	\$ 3.4	-8.8%
<b>Total</b>	<b>\$ 3.1</b>	<b>\$ 3.4</b>	<b>-8.8%</b>

As of June 30, 2020, the City’s general obligation limit is \$427.6 million, 3.75% of total assessed valuation subject to taxation. With outstanding debt of \$3.1 million subject to the legal debt limit, the City is not at risk of exceeding its legal debt limit.

Additional information on the City’s long-term debt can be found in Note 7 to the accompanying financial statements.

## Economic Factors and Next Year’s Budgets and Rates

The following key economic factors were considered in developing the fiscal year 2021 budget:

- *Revenue Projections.* The overall growth of the General Fund Revenue is projected to be approximately 5.3% lower than the fiscal year 2020 revised budget, which is a combination of an increase in budgeted property tax revenue and COVID-19 pandemic-related reductions in sales tax, TOT, and charges for current services revenue budgets.
- *Expenditures.* The overall General Fund Expenditure is budgeted to be 6.3% lower than in the fiscal year 2020 revised budget. The impact of the COVID-19 pandemic on the City’s revenues has required significant cost reductions to be identified including elimination of certain unfilled positions, reduction of part-time recreation staff and programming, and a reduction of recruitment services, training, and professional development costs. Salary and benefits expenditure increases are based on the known Memorandum of Understanding (MOU) provisions negotiated with bargaining groups, net of bargained concessions.
- *Capital Improvement Project Funds.* An update of the five-year Capital Improvement Plan was included as part of the fiscal year 2021 budget process. Changes to existing projects and the addition of new projects totaling \$14.6 million in expenditures were approved for fiscal year 2021. The changes and additions included: (1) Annual Street Resurfacing; (2) Fire Station 16 Replacement; (3) Traffic Calming Improvements; (4) Existing Highlands Park Synthetic Turf Replacement; (5) Burton Park Batting Cages; and (6) Cherry Street Below Market Rate Housing.
- *Sewer Rate Adjustments.* Per City Council’s decision during the wastewater rate setting discussions in 2019, there will be a 4.5% sewer rate increase in fiscal year 2021. The revenues collected through the sewer fees are used to fund capital improvements and the City’s share of the SVCW’s sewer treatment plant improvements.



## **Contacting the City's Financial Management**

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report or additional financial information can be obtained by contacting the City at:

City of San Carlos  
Administrative Services Department  
600 Elm Street  
San Carlos, CA 94070  
(650) 802-4128

This Page Left Intentionally Blank

**CITY OF SAN CARLOS**

**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.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column, and the financial position of all of the City's 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, deferred outflows/inflows of resources, 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 program. 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.

Both these Statements include the financial activities of the City and San Carlos Housing Authority, which is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the activities of these entities.

This Page Left Intentionally Blank

CITY OF SAN CARLOS

STATEMENT OF NET POSITION  
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 94,506,672	\$ 23,771,448	\$ 118,278,120
Cash and investments with fiscal agents	1,138,866	-	1,138,866
Receivables:			
Accounts	4,128,131	1,075,519	5,203,650
Notes	1,539,144	-	1,539,144
Down payment assistance loan program	665,405	-	665,405
Prepaid items	203,543	-	203,543
Property held for resale	972,829	-	972,829
Investment in SVCW	-	7,565,628	7,565,628
Capital assets, not being depreciated:			
Land	62,344,159	153,734	62,497,893
Rights of way	2,413,714	-	2,413,714
Construction in progress	15,668,737	-	15,668,737
Capital assets, net of depreciation	74,118,282	31,916,243	106,034,525
<b>Total Assets</b>	<b>257,699,482</b>	<b>64,482,572</b>	<b>322,182,054</b>
<b>Deferred Outflows of Resources:</b>			
Deferred pension related items	16,581,437	1,749,613	18,331,050
Deferred OPEB related items	515,760	77,068	592,828
<b>Total Deferred Outflows of Resources</b>	<b>17,097,197</b>	<b>1,826,681</b>	<b>18,923,878</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	6,175,318	721,991	6,897,309
Accrued benefits	15,970	-	15,970
Deposits payable	2,767,074	-	2,767,074
Unearned revenue	97,604	-	97,604
Non-Current Liabilities:			
Due within one year	1,153,056	43,997	1,197,053
Due in more than one year	3,441,690	29,331	3,471,021
Net pension liability	42,414,049	3,118,616	45,532,665
Net OPEB liability	1,549,644	231,556	1,781,200
<b>Total Liabilities</b>	<b>57,614,405</b>	<b>4,145,491</b>	<b>61,759,896</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	5,327,520	503,922	5,831,442
Deferred OPEB related items	722,678	107,986	830,664
<b>Total Deferred Inflows of Resources</b>	<b>6,050,198</b>	<b>611,908</b>	<b>6,662,106</b>
<b>Net Position:</b>			
Net investment in capital assets	151,378,234	32,069,977	183,448,211
Restricted for:			
Public safety	342,929	-	342,929
Parks and recreation	2,206,124	-	2,206,124
Public works	2,674,655	-	2,674,655
Housing	13,917,449	-	13,917,449
Capital projects	-	12,741,278	12,741,278
Debt Service	1,020,951	3,404,200	4,425,151
Pension and other benefits programs	-	2,135,399	2,135,399
Sewer system maintenance	-	11,201,000	11,201,000
Unrestricted	39,591,734	-	39,591,734
<b>Total Net Position</b>	<b>\$ 211,132,076</b>	<b>\$ 61,551,854</b>	<b>\$ 272,683,930</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 14,340,628	\$ 1,325,656	\$ -	\$ -
Public safety	21,394,936	600,031	156,297	-
Community development	6,972,347	3,747,032	4,156,221	1,138,388
Parks and recreation	3,028,761	1,248,126	34,368	268,901
Public works	12,497,686	1,769,924	1,843,288	2,386,695
Interest on long-term debt	55,762	-	-	-
<b>Total Governmental Activities</b>	<b>58,290,120</b>	<b>8,690,769</b>	<b>6,190,174</b>	<b>3,793,984</b>
<b>Business-type Activities:</b>				
Sewer	11,835,352	19,955,871	-	-
<b>Total Business-type Activities</b>	<b>11,835,352</b>	<b>19,955,871</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 70,125,472</b>	<b>\$ 28,646,640</b>	<b>\$ 6,190,174</b>	<b>\$ 3,793,984</b>

**General revenues:**

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Motor vehicle in-lieu
- Use of money and property
- Miscellaneous

**Transfers**

**Total general revenues and transfers**

Change in Net Position

Net Position, beginning of the year

**Net Position, end of the Year**

See Notes to Financial Statements

**Net (Expenses) Revenues and Changes  
In Net Position**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (13,014,972)	\$ -	\$ (13,014,972)
(20,638,608)	-	(20,638,608)
2,069,294	-	2,069,294
(1,477,366)	-	(1,477,366)
(6,497,779)	-	(6,497,779)
(55,762)	-	(55,762)
<b>(39,615,193)</b>	<b>-</b>	<b>(39,615,193)</b>
-	8,120,519	8,120,519
-	<b>8,120,519</b>	<b>8,120,519</b>
<b>(39,615,193)</b>	<b>8,120,519</b>	<b>(31,494,674)</b>
16,865,800	-	16,865,800
2,461,423	-	2,461,423
12,638,700	-	12,638,700
4,180,156	-	4,180,156
3,602,983	-	3,602,983
5,331,720	644,034	5,975,754
902,593	-	902,593
609,000	(609,000)	-
<b>46,592,375</b>	<b>35,034</b>	<b>46,627,409</b>
6,977,182	8,155,553	15,132,735
204,154,894	53,396,301	257,551,195
<b>\$ 211,132,076</b>	<b>\$ 61,551,854</b>	<b>\$ 272,683,930</b>

**See Notes to Financial Statements**

This Page Left Intentionally Blank



## FUND FINANCIAL STATEMENTS

Only individual major funds are presented in the Fund Financial Statements, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

## MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City. Individual non-major funds may be found in the Supplementary section.

**GENERAL FUND** – The primary fund of the City used to account for all revenue and expenditures not legally restricted as to use. A broad range of municipal activities are provided through this fund including City Manager, City Attorney, Administrative Services, City Clerk, Community Development, Public Safety, Public Works, and Parks and Recreation.

**CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND** – This fund is used to account for major capital projects not provided for in one of the other capital projects funds.

**HOUSING CAPITAL PROJECTS FUND** – This fund is used to account for development fees that must be used to finance affordable housing for city residents and the housing activities assumed by the City when the former Redevelopment Agency was dissolved.

CITY OF SAN CARLOS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>Capital Projects Funds</u>		
	<u>General</u>	<u>Capital Improvement</u>	<u>Housing</u>
<b>Assets:</b>			
Cash and investments	\$ 39,609,296	\$ 29,615,444	\$ 11,357,421
Cash and investments with fiscal agents	-	-	1,138,866
Receivables:			
Accounts	3,248,888	731,107	-
Notes	-	-	1,539,144
Down payment assistance loan program	-	-	665,405
Prepaid items	203,543	-	-
Property held for resale	-	-	972,829
<b>Total Assets</b>	<b><u>\$ 43,061,727</u></b>	<b><u>\$ 30,346,551</u></b>	<b><u>\$ 15,673,665</u></b>
<b>Liabilities, Deferred Inflows, of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 3,648,662	\$ 2,186,117	\$ 114,998
Accrued benefits	15,970	-	-
Deposits payable	2,765,545	-	1,529
Unearned revenues	97,604	-	-
<b>Total Liabilities</b>	<b><u>6,527,781</u></b>	<b><u>2,186,117</u></b>	<b><u>116,527</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	88,647	-	1,639,689
<b>Total Deferred Inflows of Resources</b>	<b><u>88,647</u></b>	<b><u>-</u></b>	<b><u>1,639,689</u></b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid items	203,543	-	-
<b>Restricted for:</b>			
Public safety	-	-	-
Parks and recreation	-	-	-
Public works	-	-	-
Debt service	-	-	-
Housing	-	-	13,917,449
<b>Committed to:</b>			
General government	-	-	-
Community development	-	-	-
Capital projects	-	28,160,434	-
Emergency reserve	9,317,932	-	-
Strategic property acquisition	7,191,795	-	-
<b>Assigned to:</b>			
Facility/infrastructure improvements	16,841,500	-	-
<b>Unassigned</b>	<b><u>2,890,529</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total Fund Balances</b>	<b><u>36,445,299</u></b>	<b><u>28,160,434</u></b>	<b><u>13,917,449</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 43,061,727</u></b>	<b><u>\$ 30,346,551</u></b>	<b><u>\$ 15,673,665</u></b>

See Notes to Financial Statements

CITY OF SAN CARLOS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>		
Cash and investments	\$ 11,947,621	\$ 92,529,782
Cash and investments with fiscal agents	-	1,138,866
Receivables:		
Accounts	118,368	4,098,363
Notes	-	1,539,144
Down payment assistance loan program	-	665,405
Prepaid items	-	203,543
Property held for resale	-	972,829
<b>Total Assets</b>	<b>\$ 12,065,989</b>	<b>\$ 101,147,932</b>
<b>Liabilities, Deferred Inflows, of Resources, and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 196,500	\$ 6,146,277
Accrued benefits	-	15,970
Deposits payable	-	2,767,074
Unearned revenues	-	97,604
<b>Total Liabilities</b>	<b>196,500</b>	<b>9,026,925</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenues	40,201	1,768,537
<b>Total Deferred Inflows of Resources</b>	<b>40,201</b>	<b>1,768,537</b>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Prepaid items	-	203,543
<b>Restricted for:</b>		
Public safety	342,929	342,929
Parks and recreation	2,206,124	2,206,124
Public works	2,674,655	2,674,655
Debt service	1,020,951	1,020,951
Housing	-	13,917,449
<b>Committed to:</b>		
General government	1,761,876	1,761,876
Community development	325,448	325,448
Capital projects	3,497,305	31,657,739
Emergency reserve	-	9,317,932
Strategic property acquisition	-	7,191,795
<b>Assigned to:</b>		
Facility/infrastructure improvements	-	16,841,500
<b>Unassigned</b>	-	2,890,529
<b>Total Fund Balances</b>	<b>11,829,288</b>	<b>90,352,470</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 12,065,989</b>	<b>\$ 101,147,932</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
WITH THE STATEMENT OF NET POSITION  
JUNE 30, 2020

---

Fund balances of governmental funds	\$ 90,352,470
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	154,544,892
Long-term debt and compensated absences that have not been included in governmental fund activity.	
Bonds payable	(3,166,658)
Compensated absences	(816,388)
Net Pension Liability and other deferred items	
Proportionate share of net pension liability	(42,414,049)
Deferred outflows related to pensions	16,581,437
Deferred inflows related to pensions	(5,327,520)
Net OPEB Liability and other deferred items	
Net OPEB liability	(1,549,644)
Deferred outflows related to OPEB	515,760
Deferred inflows related to OPEB	(722,678)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(28,688)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	1,768,537
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. These Assets and Liabilities of the internal service funds must be added to the statement of net position.	1,394,605
<b>Net Position of Governmental Activities</b>	<b>\$ 211,132,076</b>

See Notes to Financial Statements

This Page Left Intentionally Blank

CITY OF SAN CARLOS

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Capital Projects Funds</u>		
	<u>General</u>	<u>Capital Improvement</u>	<u>Housing</u>
<b>Revenues:</b>			
Sales taxes	\$ 11,366,392	\$ -	\$ -
Property taxes	14,338,470	2,095,828	-
Transient occupancy taxes	2,461,423	-	-
Franchise taxes	2,001,977	2,178,179	-
Vehicle in-lieu	3,602,983	-	-
Business registration	999,098	-	-
Licenses and permits	2,184,060	375,909	-
From other agencies	86,871	867,045	-
Charges for services	3,851,044	-	-
Fines and forfeitures	266,630	-	-
Use of money and property	4,228,532	109,419	398,866
Other revenue	1,576,788	233,419	4,141,222
<b>Total Revenues</b>	<b>46,964,268</b>	<b>5,859,799</b>	<b>4,540,088</b>
<b>Expenditures:</b>			
Current:			
General government	15,811,465	-	-
Community development	4,994,176	-	3,102,753
Public safety	20,251,411	-	-
Public works	4,913,855	-	-
Parks and recreation	2,945,962	-	-
Capital outlay	-	8,599,943	4,023,714
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Expenditures</b>	<b>48,916,869</b>	<b>8,599,943</b>	<b>7,126,467</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,952,601)	(2,740,144)	(2,586,379)
<b>Other Financing Sources (Uses):</b>			
PG&E settlement recoveries	1,000,000	-	-
Contributions from Successor Agency	-	-	1,138,388
Transfers in	609,000	2,200,000	326,000
Transfers out	(1,649,300)	(451,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(40,300)</b>	<b>1,749,000</b>	<b>1,464,388</b>
Net Change in Fund Balances	(1,992,901)	(991,144)	(1,121,991)
Fund Balances, Beginning of Year	38,438,200	29,151,578	15,039,440
<b>Fund Balances, End of Year</b>	<b>\$ 36,445,299</b>	<b>\$ 28,160,434</b>	<b>\$ 13,917,449</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>		
Sales taxes	\$ 1,272,308	\$ 12,638,700
Property taxes	431,502	16,865,800
Transient occupancy taxes	-	2,461,423
Franchise taxes	-	4,180,156
Vehicle in-lieu	-	3,602,983
Business registration	-	999,098
Licenses and permits	15,040	2,575,009
From other agencies	2,136,406	3,090,322
Charges for services	4,501	3,855,545
Fines and forfeitures	-	266,630
Use of money and property	469,340	5,206,157
Other revenue	640,572	6,592,001
<b>Total Revenues</b>	<b><u>4,969,669</u></b>	<b><u>62,333,824</u></b>
<b>Expenditures:</b>		
Current:		
General government	333,477	16,144,942
Community development	2,990	8,099,919
Public safety	100,000	20,351,411
Public works	1,252,824	6,166,679
Parks and recreation	-	2,945,962
Capital outlay	2,524,950	15,148,607
Debt service:		
Principal	320,000	320,000
Interest and fiscal charges	74,285	74,285
<b>Total Expenditures</b>	<b><u>4,608,526</u></b>	<b><u>69,251,805</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>361,143</u>	<u>(6,917,981)</u>
<b>Other Financing Sources (Uses):</b>		
PG&E settlement recoveries	-	1,000,000
Contributions from Successor Agency	-	1,138,388
Transfers in	1,624,300	4,759,300
Transfers out	(2,050,000)	(4,150,300)
<b>Total Other Financing Sources (Uses)</b>	<b><u>(425,700)</u></b>	<b><u>2,747,388</u></b>
Net Change in Fund Balances	(64,557)	(4,170,593)
Fund Balances, Beginning of Year	<u>11,893,845</u>	<u>94,523,063</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 11,829,288</u></b>	<b><u>\$ 90,352,470</u></b>

See Notes to Financial Statements

CITY OF SAN CARLOS

**RECONCILIATION OF THE NET CHANGE IN FUND BALANCES –  
TOTAL GOVERNMENTAL FUNDS  
WITH THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

---

Net change in fund balances total governmental funds \$ (4,170,593)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	9,082,936
Depreciation expense	(2,901,958)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal repaid on bonds	320,000
Premium on debt obligations	14,523

Pension/OPEB expense related to net pension/OPEB liability is recorded on the economic resources basis of accounting and, therefore, employer cash contributions are added back to fund balance.

4,209,804

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

4,000

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(98,293)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

132,288

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities.

384,475

**Change in net position of governmental activities**

**\$ 6,977,182**

**See Notes to Financial Statements**



This Page Left Intentionally Blank

CITY OF SAN CARLOS

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Sales taxes	\$ 11,430,000	\$ 11,430,000	\$ 11,366,392	\$ (63,608)
Property taxes	12,191,000	12,191,000	14,338,470	2,147,470
Transient occupancy taxes	3,200,000	3,200,000	2,461,423	(738,577)
Franchise taxes	1,983,900	1,983,900	2,001,977	18,077
Vehicle in lieu	3,700,000	3,700,000	3,602,983	(97,017)
Business registration	909,300	909,300	999,098	89,798
Licenses and permits	1,529,900	1,529,900	2,184,060	654,160
From other agencies	15,600	15,600	86,871	71,271
Charges for current services	4,327,900	4,327,900	3,851,044	(476,856)
Fines and forfeitures	271,200	271,200	266,630	(4,570)
Use of money and property	2,353,600	2,353,600	4,228,532	1,874,932
Other revenue	1,415,300	1,415,300	1,576,788	161,488
<b>Total Revenues</b>	<b>43,327,700</b>	<b>43,327,700</b>	<b>46,964,268</b>	<b>3,636,568</b>
<b>Expenditures:</b>				
Current				
General Government:				
City Council	330,300	2,425,300	2,273,642	151,658
City Manager	1,781,100	1,781,100	1,626,407	154,693
City Clerk	529,400	529,400	348,060	181,340
Administrative Services	3,646,000	3,646,000	3,199,936	446,064
General Government	421,500	7,728,500	8,082,826	(354,326)
City Treasurer	23,100	23,100	12,707	10,393
City Attorney	378,900	378,900	267,887	111,013
<b>Total General Government</b>	<b>7,110,300</b>	<b>16,512,300</b>	<b>15,811,465</b>	<b>700,835</b>
Community Development:				
Administration	799,000	799,000	737,911	61,089
Economic Development	985,900	985,900	795,130	190,770
Building	1,948,500	1,961,500	1,821,379	140,121
Planning	2,098,700	2,303,700	1,639,756	663,944
<b>Total Community Development</b>	<b>5,832,100</b>	<b>6,050,100</b>	<b>4,994,176</b>	<b>1,055,924</b>
Public Safety:				
Police	10,712,400	10,712,400	10,359,784	352,616
Fire	10,092,300	10,122,600	9,891,627	230,973
<b>Total Public Safety</b>	<b>20,804,700</b>	<b>20,835,000</b>	<b>20,251,411</b>	<b>583,589</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Works:				
Administration	1,746,700	1,746,700	1,286,428	460,272
Garage	124,500	124,500	80,432	44,068
Street Maintenance	405,100	405,100	345,232	59,868
Park Maintenance	2,300,000	2,300,000	2,091,641	208,359
Traffic Control	327,900	327,900	249,241	78,659
Building Maintenance	1,072,100	1,072,100	860,881	211,219
<b>Total Public Works</b>	<b>5,976,300</b>	<b>5,976,300</b>	<b>4,913,855</b>	<b>1,062,445</b>
Parks and Recreation:				
Administration	601,600	601,600	564,057	37,543
Recreation	3,177,900	3,207,400	2,381,905	825,495
<b>Total Parks and Recreation</b>	<b>3,779,500</b>	<b>3,809,000</b>	<b>2,945,962</b>	<b>863,038</b>
<b>Total Expenditures</b>	<b>43,502,900</b>	<b>53,182,700</b>	<b>48,916,869</b>	<b>4,265,831</b>
Excess (Deficiency) of Revenues Over Expenditures	(175,200)	(9,855,000)	(1,952,601)	7,902,399
<b>Other Financing Sources (Uses):</b>				
PG&E settlement recoveries	-	-	1,000,000	1,000,000
Transfers in	609,000	609,000	609,000	-
Transfers (out)	(1,149,300)	(1,649,300)	(1,649,300)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(540,300)</b>	<b>(1,040,300)</b>	<b>(40,300)</b>	<b>1,000,000</b>
Net Change in Fund Balance	\$ (715,500)	\$ (10,895,300)	\$ (1,992,901)	\$ 8,902,399
Beginning Fund Balance			38,438,200	
<b>Ending Fund Balance</b>			<b>\$ 36,445,299</b>	

See Notes to Financial Statements

This Page Left Intentionally Blank

## MAJOR PROPRIETARY FUND

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds extends to Proprietary Funds.

Budget versus actual comparisons regarding proprietary funds that are major funds are not presented.

**SEWER ENTERPRISE FUND:** This fund is used to account for sewage treatment, transmission, major replacements and improvements to the City's sewer system.

CITY OF SAN CARLOS

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2020

	Business-Type Activities – Enterprise Fund Sewer	Governmental Activities – Internal Service Funds
<b>Assets:</b>		
Current Assets:		
Cash and investments	\$ 23,771,448	\$ 1,976,890
Receivables:		
Accounts receivable	1,075,519	29,768
<b>Total Current Assets</b>	<b>24,846,967</b>	<b>2,006,658</b>
Noncurrent:		
Investment in SVCW	7,565,628	-
Capital assets, net:		
Land	153,734	-
Construction in process	-	-
Depreciable capital assets, net	31,916,243	-
<b>Total Noncurrent Assets</b>	<b>39,635,605</b>	<b>-</b>
<b>Total Assets</b>	<b>64,482,572</b>	<b>2,006,658</b>
<b>Deferred Outflows of Resources:</b>		
Deferred pension related items	1,749,613	-
Deferred OPEB related items	77,068	-
<b>Total Deferred Outflows of Resources</b>	<b>1,826,681</b>	<b>-</b>
<b>Liabilities:</b>		
Current:		
Accounts payable	721,991	353
Compensated absences	43,997	-
Claims payable	-	283,700
<b>Total Current Liabilities</b>	<b>765,988</b>	<b>284,053</b>
Noncurrent:		
Compensated absences	29,331	-
Claims payable	-	328,000
Net Pension Liability	3,118,616	-
Net OPEB Liability	231,556	-
<b>Total Noncurrent Liabilities</b>	<b>3,379,503</b>	<b>328,000</b>
<b>Total Liabilities</b>	<b>4,145,491</b>	<b>612,053</b>
<b>Deferred Inflows of Resources:</b>		
Deferred pension related items	503,922	-
Deferred OPEB related items	107,986	-
<b>Total Deferred Inflows of Resources</b>	<b>611,908</b>	<b>-</b>
<b>Net Position:</b>		
Net investment in capital assets	32,069,977	-
Restricted for:		
Capital projects	12,741,278	-
Debt service	3,404,200	-
Pension and other benefits programs	2,135,399	-
Sewer system maintenance	11,201,000	-
Unrestricted	-	1,394,605
<b>Total Net Position</b>	<b>\$ 61,551,854</b>	<b>\$ 1,394,605</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	<b>Business-Type Activities – Enterprise Fund</b>	<b>Governmental Activities – Internal Service Funds</b>
	<b>Sewer</b>	
<b>Operating Revenues:</b>		
Charges for services	\$ 19,955,871	\$ 978,098
Cost reimbursements	-	1,260,000
<b>Total Operating Revenues</b>	<b>19,955,871</b>	<b>2,238,098</b>
<b>Operating Expenses:</b>		
Salaries and benefits (Note 10 & 11)	1,094,821	-
Sewer operations	8,618,528	-
Insurance premiums	-	835,348
Claims expense	-	1,077,628
Depreciation expense	1,124,908	-
Miscellaneous	2,417,400	54,328
<b>Total Operating Expenses</b>	<b>13,255,657</b>	<b>1,967,304</b>
Operating Income (Loss)	6,700,214	270,794
<b>Nonoperating Revenues (Expenses):</b>		
Investment income	644,034	53,802
Miscellaneous	-	59,879
Decrease in Investment in Sewer Authority	1,420,305	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,064,339</b>	<b>113,681</b>
Income (Loss) Before Transfers	8,764,553	384,475
Transfers (out)	(609,000)	-
Change in net position	8,155,553	384,475
Net position, beginning of the year	53,396,301	1,010,130
<b>Net position, end of the year</b>	<b>\$ 61,551,854</b>	<b>\$ 1,394,605</b>

See Notes to Financial Statements

CITY OF SAN CARLOS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	<b>Business-Type Activities – Enterprise Fund Sewer</b>	<b>Governmental Activities – Internal Service Funds</b>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and users	\$ 19,705,687	\$ -
Cash received/(paid to) interfund service provided	-	2,208,330
Cash paid to suppliers for goods and services	(10,758,300)	(909,263)
Cash paid to employees for services	(1,960,800)	-
Claims paid	-	(997,928)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>6,986,587</b>	<b>301,139</b>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Transfers (out)	(609,000)	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(609,000)</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of capital assets	(1,719,419)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,719,419)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	644,034	53,802
Miscellaneous	-	59,879
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>644,034</b>	<b>113,681</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,302,202</b>	<b>414,820</b>
Cash and Cash Equivalents at Beginning of Year	18,469,246	1,562,070
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 23,771,448</b>	<b>\$ 1,976,890</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 6,700,214	\$ 270,794
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,124,908	-
Change in assets and liabilities:		
Receivables, net	(250,184)	(29,768)
Accounts payable	277,628	(19,587)
Accrued liabilities	-	-
Claims payable	-	79,700
Compensated absences	(8,365)	-
Net pension liability and deferred outflows/inflows of resources	(711,382)	-
Net OPEB liability and deferred outflows/inflows of resources	(146,232)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 6,986,587</b>	<b>\$ 301,139</b>
<b>Schedule of non-cash capital and related financing activities:</b>		
Investment in joint venture	\$ 1,420,305	\$ -
<b>See Notes to Financial Statements</b>		



## FIDUCIARY FUNDS

Fiduciary Funds are presented separately from the Government-wide and Fund Financial Statements.

Agency funds account for assets held by the City as an agent for individuals, government entities and non-public organizations. These include the following:

**AGENCY FUNDS:** Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**SUCCESSOR AGENCY OF THE FORMER RDA PRIVATE PURPOSE TRUST FUND:** This fund is used to account for the activities related to the dissolution of the former San Carlos Redevelopment Agency.

CITY OF SAN CARLOS

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2020

	<u>Agency Funds</u>	<u>Private- Purpose Trust Fund</u> <u>Successor Agency of the Former RDA</u>
<b>Assets:</b>		
Cash and investments	\$ 30,932,735	\$ 1,073,323
Receivables:		
Accounts receivable	2,940,100	-
Loans receivable	444,695	-
Grants receivable	625,595	-
Prepaid items	32,048	-
<b>Total Assets</b>	<b><u>\$ 34,975,173</u></b>	<b><u>1,073,323</u></b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 5,979,880	103,665
Due to members	28,852,477	-
Unearned revenue	142,816	-
Long-term liabilities		
Due in one year	-	718,517
Due in more than one year	-	12,593,752
<b>Total Liabilities</b>	<b><u>\$ 34,975,173</u></b>	<b><u>13,415,934</u></b>
<b>Net Position:</b>		
Held in trust for other purposes		<u>(12,342,611)</u>
<b>Total Net Position</b>		<b><u>\$ (12,342,611)</u></b>

See Notes to Financial Statements

CITY OF SAN CARLOS

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

	Private- Purpose Trust Fund
	Successor Agency of the Former RDA
<b>Additions:</b>	
Taxes	\$ 1,265,469
Use of money and property	18,244
<b>Total Additions</b>	<b>1,283,713</b>
<b>Deductions:</b>	
Administrative expenses	58,616
Other miscellaneous expenses	1,138,388
Interest expense	551,425
<b>Total Deductions</b>	<b>1,748,429</b>
<b>Change in Net Position</b>	<b>(464,716)</b>
Net Position - Beginning of the Year	(11,877,895)
<b>Net Position - End of the Year</b>	<b>\$ (12,342,611)</b>

See Notes to Financial Statements

This Page Left Intentionally Blank

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**a. Reporting Entity**

The **City of San Carlos** (“City”) is a general-law city that operates under the Council-Manager form of government, with five elected Council members served by a full time City Manager and staff. Services provided by the City include public safety, streets and roads, parks and recreation, planning and community development, and others. The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. These financial statements include the City and its component units – entities for which the City is financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations, therefore data from these units are combined with City data. Their financial activities have been aggregated and merged (termed “blending”) with those of the City in the accompanying financial statements.

The **San Carlos Housing Authority** (“Housing Authority”) is a separate government entity whose purpose is to provide housing to low and moderate income families within certain areas of the city. The Housing Authority is both controlled by and financially dependent on the City. The City's governing board oversees the Housing Authority, and its accounting and administrative functions support it. As such, the financial activities of the Housing Authority have been included in these financial statements, and no separate statements for the Housing Authority were prepared.

**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 Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

**Government-wide Statements:** The Statement of Net Position and the Statement of Activities display information about the primary government (City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. All fiduciary activities are reported only in the fund financial statements. Eliminations have been made to minimize the double counting of internal activities; however, inter-fund services provided and used are not eliminated in the process of consolidation. 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.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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:** 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 governmental and enterprise 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 fund operating revenues and expenses, such as charges for services and salaries and benefits, 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 and expenses, such as investment earnings and interest expense, result from non-exchange transactions or ancillary activities.

**c. Major Funds**

The City's major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column.

Major funds are defined as funds that have either assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 following major governmental funds are reported in the accompanying financial statements:

**General Fund:** The primary fund of the City that is used to account for all revenues and expenditures of the City not legally restricted as to use. A broad range of municipal activities are provided through this fund including City Council, City Manager, City Attorney, Administrative Services, City Clerk, Community Development, Public Safety, Public Works, and Parks and Recreation.

**Capital Improvement Capital Projects Fund:** Used to account for major capital projects not provided for in one of the other capital project funds.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Housing Capital Projects Fund:** Used to account for development fees that must be used to finance affordable housing for city residents and the housing activities assumed by the City when the former Redevelopment Agency was dissolved.

The City reports the following major enterprise fund in the accompanying financial statements:

**Sewer Enterprise Fund:** Used to account for sewage treatment, transmission, major replacements and improvements to the City's sewer system.

The City also reports the following fund types:

**Internal Service Fund:** These funds account for workers' compensation, general liability and other post-employment benefits; all of which are provided to other departments on a cost-reimbursement basis.

**Fiduciary Funds:** Agency funds are used to account for assets held by the City as an agent for the City/County Association of Governments of San Mateo County (C/CAG), and Peninsula Traffic Congestion Relief Alliance (Commute.org). Private-purpose trust funds are used to account for the assets and liabilities of the former Redevelopment Agency and the allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated. All fiduciary funds, including agency funds, use the accrual, rather than the modified accrual, basis of accounting.

The financial activities of these funds are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

**d. Basis of Accounting**

The Government-wide, proprietary fund and fiduciary 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 revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. 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. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

Those revenues susceptible to accrual are property, sales and use, transient occupancy, franchise and gas taxes, intergovernmental revenues, grants, and interest revenue. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until collected.

Non-exchange transactions are those in which the City gives or receives value without directly receiving or giving equal value in exchange, and includes taxes, grants, entitlements and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund 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. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

**e. Property Taxes and Sewer Charges**

Revenue is recognized in the period for which the tax and assessment is levied. The County of San Mateo ("County") levies, bills, and collects property taxes and sewer charges for the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is billed in two equal installments – on November 1 and February 1 – due by December 10 and April 10 (of the following year), respectively. Taxes are considered delinquent if paid after the due dates. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above; generally within 60 days.

**f. Assets, Deferred Inflows/Outflows, Liabilities and Fund Balance Net Position Investments**

For financial reporting purposes, investments are adjusted to their fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. Some investments are valued on an unamortized cost basis. For these investments, there is no material difference from fair value.



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Cash equivalents also represent the proprietary fund's share in the cash and investment pool of the City. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments on the combined balance sheet for the proprietary funds is considered cash and cash equivalents.

**Prepaid Items**

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.

**Capital Assets**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. The City's policy is to capitalize all assets with costs exceeding the \$5,000 threshold and a useful life of more than one year. Donated capital assets, donated works of art and similar items, are reported at acquisition value rather than fair value.

All capital assets with limited useful lives are depreciated over their estimated useful lives. 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.

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 below to capital assets:

Building and Improvements	10 - 50 years
Equipment	5 - 10 years
Infrastructure and Sewer System Network	75 - 100 years

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of net position and the governmental fund balance sheet 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category, which is deferred outflows relating to the net pension obligation reported in the statements of net position. These outflows are the result of contributions made after the measurement period, which are expensed in the following year, and of adjustments due to the difference in proportions and the difference between actual contributions made and the proportionate share of the risk pool's total contributions.

In addition to liabilities, the statements of net position and the governmental balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. 1) Deferred inflows relating to the net pension obligation reported in the Government-wide statement of net position. These inflows are the result of the net difference between projected and actual earnings on pension plan investments and differences in proportions. This amount is deferred and amortized straight-line over a five-year period. 2) Governmental funds report unavailable revenues from the following sources: cost reimbursements; charge for services; and revenues from housing loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Compensated Absences**

Compensated absences comprise unpaid vacation that is accrued as earned. All employees who hold full-time regular positions are entitled to 12 working days of vacation pay upon successful completion of their first year of continuous service. The accrual rate increases after length of service exceeds four years. Maximum accumulation of vacation is two years of vacation accrual. Upon termination or retirement, full-time employees are entitled to receive compensation at their current base salary for all unused vacation leave. The City's liability for compensated absences is recorded in the statements of net position. The compensated absences are reported in governmental funds only if they are matured. The liability for compensated absences is determined annually. For governmental funds, the portion expected to be permanently liquidated is recorded as fund liabilities.

Compensated absences are liquidated by the fund that has recorded the liability, primarily the General Fund.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Pensions**

In Government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 10) and the required supplementary information (“RSI”) section immediately following the Notes to Financial Statements, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the City recognizes a net pension liability, which represents the City’s proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees’ Retirement System (“CalPERS”). The net pension liability is measured as of the City’s prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred as pension expenses or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the City’s pension plan with CalPERS and additions to/deductions from the plan’s 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’s terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Fund Balance**

In the fund financial statements, governmental funds report the following fund balance classifications:

*Nonspendable* includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

*Restricted* includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments, or (b) by law through constitutional provisions or enabling legislation.

*Committed* includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority; the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a City Council resolution.

*Assigned* includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose, which is established by City Council resolution.

*Unassigned* includes the residual amounts that have not been restricted, committed, or assigned to specific purposes. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City Council adopts and amends committed fund balance amounts through resolution. The City Council authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted through resolution.

**Fund Balance Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to use assigned fund balance for the purpose for which it was assigned. The hierarchy followed to deplete the reserves is as follows: first unassigned fund balance will be depleted; second assigned fund balances will be depleted at discretion of the City Manager; and lastly committed fund balances will be depleted in accordance to approved commitments and formal action of the City Council.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Net Position**

Net position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, 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 that 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 that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and funds restricted to low and moderate income purposes.

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

**Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the Government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**g. Budgets and Budgetary Accounting Policies**

The City adopts a biennial operating budget on or before June 30 to ensure that two fiscal years for the General Fund, all Special Revenue Funds, and all Debt Service Funds are budgeted. Expenditures for the Capital Projects Funds are budgeted and managed on a project length basis. The City follows a budgeting process in which the City's plans and objectives are outlined and budgeted. This work program is reviewed with the City Council to determine the priority and timing of plans and objectives. Revisions are made to the work program, which in its final form is adopted by the City Council as an operating budget, effective July 1 for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds.

On February 27, 2017, the City Council adopted Ordinance 1519 to consolidate the City's General Municipal Election with the Statewide Election, thereby moving to even-numbered year elections. In an effort to realign the budget with the new election cycles, the FY 2020-21 Budget covers the period of one year instead of two.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

City Council may amend the budget by resolution during the fiscal year. The City Manager may transfer appropriations from one program, activity, or object to another within the same department or between departments. However, transfers of appropriations that change total fund appropriations must be approved by the City Council. Expenditures that exceed appropriations at the fund level must be approved by the City Council. Budgets are adopted on a basis consistent with generally accepted accounting principles.

**h. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**i. Estimates and Assumptions**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 – CASH AND INVESTMENTS**

The City pools cash from all sources and all funds except cash and investments held by trustees so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

**a. Policies**

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City invests in investment pools. Individual investments are allowed under the City's Investment Policy and are defined as specific identifiable securities instruments, or an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. However, the City primarily invests in investment pools. To increase security, the City employs the trust department of a bank as the custodian of certain City managed investments, regardless of their form.

The City's investments are carried at fair value, as required by GAAP. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

**b. Classification**

Cash and investments as of June 30, 2020 are classified in the following financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 118,278,120
Cash and investments with fiscal agent	<u>1,138,866</u>
Subtotal	<u>119,416,986</u>
Fiduciary Funds:	
Cash and investments	<u>32,006,058</u>
Subtotal	<u>32,006,058</u>
Total cash and investments	<u>\$ 151,423,044</u>

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 5,650
Deposits with financial institutions	6,879,069
Investments	<u>144,538,325</u>
Total cash and Investments	<u>\$ 151,423,044</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

The following table identifies the investment types that are authorized for the City by the California Government Code (or the City's Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's Investment Policy, where more restrictive) that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of bond indentures of the City, rather than the general provisions of the California Government Code or the City's Investment Policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
State of California Local Agency Investment Fund	Upon Demand	N/A	As permitted by LAIF (currently \$65 million per account)	N/A
San Mateo County Investment Pool	Upon Demand	N/A	As permitted by County Treasurer (currently no limit)	N/A
U.S. Treasury Bonds, Notes and Bills	5 years	N/A	100%	N/A
U.S. Government Agency and Federal Agency Securities	5 years	N/A	100%	N/A
Mortgage Securities or Mortgage-Backed Securities	5 years	(C)	20%	N/A
Bankers Acceptances	180 days	N/A	40%	(B)
Commercial Paper	270 days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	5 years	N/A	30%	N/A
Time Certificates of Deposit - Banks or Savings and Loans	5 years	N/A	30%	N/A
Medium Term Corporate Notes	5 years	A	30%	N/A

(A) 10% of outstanding paper of issuing corporation.

(B) No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

(C) Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO.



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**d. Investments Authorized by Debt Agreements**

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements.

Authorized Investment Type	Minimum Credit Quality
Securities of the U.S. Government or its agencies	None
Time certificates of deposit	None
Bankers acceptances	None
Commercial paper	A1
California Local Agency Investment Fund	None
Repurchase agreements	None
Small Business Administration loans	None
Money market funds	AAA-m (1)
Negotiable certificates of deposit	None
Investment agreement	None
Tax-exempt obligations	AAA

(1) San Carlos RDA 2018 TAB

**e. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy is to hold investments to maturity to mitigate the interest rate risk. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date.

Investment Type	12 Months or less	Total
San Mateo County Investment Pool	\$ 54,074,208	\$ 54,074,208
California Local Agency Investment Fund	89,325,251	89,325,251
California Asset Management Program	1,138,866	1,138,866
Total Investments	<u>\$ 144,538,325</u>	144,538,325
Cash in bank and cash on hand		<u>6,884,719</u>
Total Cash and Investments		<u>\$ 151,423,044</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**f. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standard and Poor's, as of June 30, 2020 for each investment type.

Investment Type	Total
Not rated:	
California Local Agency Investment Fund	\$ 89,325,251
San Mateo County Investment Pool	54,074,208
California Asset Management Program	1,138,866
Total Investments	144,538,325
Cash in bank and cash on hand	6,884,719
Total Cash and Investments	\$ 151,423,044

**g. Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets: Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2020.

Investment Type	Exempt	Total
<b>Investments by Fair Value:</b>		
California Local Agency Investment Pool	\$ 89,325,251	\$ 89,325,251
San Mateo County Investment Pool	54,074,208	54,074,208
Total Investments at Fair Value	\$ 143,399,459	143,399,459
<b>Investments Measured at Net Asset Value:</b>		
California Asset Management Program		1,138,866
Total Investments		144,538,325
Cash in banks		6,884,719
Total Cash and Investments		\$ 151,423,044

Both the California Local Agency Investment Fund and the San Mateo County Investment Pool are external investment pools measured at fair value and exempt in the fair value hierarchy under GASB No. 72, Fair Value Measurement and Application.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**h. Local Agency Investment Fund**

The City is a 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, which is the same as the value of the pool share. 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 obligations, mortgage-backed securities, other asset-backed securities, loans to certain State funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2020, these investments have an average maturity of 191 days.

**i. San Mateo County Investment Fund**

The City is a voluntary participant in the San Mateo County Investment Fund (“SMCIF”) that is regulated by California Government Code Section 53684 under the oversight of the Treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. 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, and corporations. The City reports its investments in SMCIF at the fair value amounts provided by SMCIF, which is the same as the value of the pool share.

**j. California Asset Management Program**

The City is a voluntary participant in the California Asset Management Program (“CAMP”). CAMP is an investment pool offered by the California Asset Management Trust (“the Trust”). The Trust is a joint powers authority and public agency created by a Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the Act) for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. CAMP's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code.

The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2020, the fair value approximated was the City's cost.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**k. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that the City will not be able to recover its deposits or will not be able to recover collateral securities in the possession of an outside party if a depository institution fails. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision applicable to deposits.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This 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 deposits is considered to be held in the City's name.

The fair value of pledged securities must equal at least 110% of the City's cash deposits. State law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

**NOTE 3 – DOWN PAYMENT ASSISTANCE LOAN (“DAL”) PROGRAM RECEIVABLE**

The City's former Redevelopment Agency previously offered first time home buyers, who qualified as having low and moderate income, loans for use as a down payment on the purchase of a home. The loans bore an interest rate of 3% and were secured by second deeds of trust on the underlying property. No payments are due until five years after the date of purchase, at which time the buyer had the option of converting the loan into shared equity in the property or extending the loan for an additional 10 years with monthly payments and a balloon payment for the unpaid balance at the end of the 10-year term. On February 1, 2012, this receivable was transferred to the City when it took over the housing function of the Redevelopment Agency upon dissolution. At June 30, 2020, the City has recorded a receivable totaling \$262,860 for loans given out to six buyers.

On April 27, 2009, the City Council approved revisions to the terms of the program DAL for the first time home buyer program. Payments are deferred for the term of the loan. Homeowners of units other than a Below Market Rate unit and/or any unit subject to a resale restriction agreement are required to pay shared appreciation in addition to the repayment of principal and accrued interest at the time the DAL Program loan repayment is due. Interest rate and loan term remain unchanged. At June 30, 2020, the City has recorded a receivable totaling \$402,545 for loans given out to six buyers, consisting of \$302,000 in principal and \$100,545 in accrued interest.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 – INTERFUND TRANSACTIONS**

**a. Transfers Between Funds**

The purpose of the majority of transfers is to move resources from one fund to another. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2020 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Sewer Enterprise Fund	\$ 609,000 (A)
Capital Improvement Fund	General Fund	1,000,000 (B)
	Non-Major Governmental Fund	1,200,000 (B)
Housing	Capital Improvement Fund	326,000 (B)
Non-Major Governmental Fund	General Fund	649,300 (C)
	Capital Improvement Fund	125,000 (B)
	Non-Major Governmental Fund	850,000 (B)
		<u>\$ 4,759,300</u>
Total Interfund Transfers		<u>\$ 4,759,300</u>

(A) Sewer right of way

(B) Capital projects

(C) To fund equipment and technology replacement

**NOTE 5 – CAPITAL ASSETS**

Capital assets of Governmental Activities as of June 30, 2020 consisted of the following:

	Balance at June 30, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 62,344,159	\$ -	\$ -	\$ -	\$ 62,344,159
Rights of way	2,413,714	-	-	-	2,413,714
Construction in progress	8,516,856	7,721,220	-	(569,339)	15,668,737
Total non-depreciable assets	<u>73,274,729</u>	<u>7,721,220</u>	<u>-</u>	<u>(569,339)</u>	<u>80,426,610</u>
Capital assets being depreciated:					
Buildings and improvements	41,968,825	194,925	-	7,768	42,171,518
Equipment	5,973,285	1,112,444	(846,292)	168,985	6,408,422
Infrastructure	70,652,534	54,347	-	392,586	71,099,467
Total capital assets being depreciated	<u>118,594,644</u>	<u>1,361,716</u>	<u>(846,292)</u>	<u>569,339</u>	<u>119,679,407</u>
Less accumulated depreciation for:					
Buildings	(17,904,976)	(1,283,287)	-	-	(19,188,263)
Equipment	(4,086,714)	(679,601)	846,292	-	(3,920,023)
Infrastructure	(21,513,769)	(939,070)	-	-	(22,452,839)
Total accumulated depreciation	<u>(43,505,459)</u>	<u>(2,901,958)</u>	<u>846,292</u>	<u>-</u>	<u>(45,561,125)</u>
Net capital assets being depreciated	<u>75,089,185</u>	<u>(1,540,242)</u>	<u>-</u>	<u>569,339</u>	<u>74,118,282</u>
Capital assets, net	<u>\$ 148,363,914</u>	<u>\$ 6,180,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,544,892</u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 – CAPITAL ASSETS (Continued)**

**a. Depreciation**

Depreciation expense was charged to governmental functions based on the use of the related assets. The amounts allocated to each function or program are as follows:

<b>Governmental Activities:</b>		
General Government	\$	349,095
Public Safety		202,535
Public Works		1,374,722
Community Development		35,958
Parks and Recreation		939,648
<b>Total Governmental Activities</b>	<b>\$</b>	<b>2,901,958</b>

**b. Business Activities**

	Balance at June 30, 2019	Additions	Balance at June 30, 2020
<b>Business-type Activities:</b>			
Capital assets not being depreciated:			
Land	\$ 153,734	\$ -	\$ 153,734
Total non-depreciable assets	<u>153,734</u>	<u>-</u>	<u>153,734</u>
Capital assets being depreciated:			
Equipment	1,848,467	90,000	1,938,467
Sewer network system	38,807,280	1,629,419	40,436,699
Total capital assets being depreciated	<u>40,655,747</u>	<u>1,719,419</u>	<u>42,375,166</u>
Less accumulated depreciation for:			
Equipment	(1,336,636)	(209,620)	(1,546,256)
Sewer network system	(7,997,379)	(915,288)	(8,912,667)
Total accumulated depreciation	<u>(9,334,015)</u>	<u>(1,124,908)</u>	<u>(10,458,923)</u>
Net capital assets being depreciated	<u>31,321,732</u>	<u>594,511</u>	<u>31,916,243</u>
Capital assets, net	<u>\$ 31,475,466</u>	<u>\$ 594,511</u>	<u>\$ 32,069,977</u>

Depreciation expense of \$1,124,908 was charged to the Sewer Enterprise Fund as of June 30, 2020.

**NOTE 6 – PROPERTY HELD FOR RESALE**

Property held for resale is stated at the lower of historical cost or net realizable value (equal to agreed-upon sales price if a disposition and development agreement has been reached with a developer).

In October 2009, the Redevelopment Agency purchased a low income housing unit property. On February 1, 2012, this property was transferred to the City when it took over the housing function of the Redevelopment Agency upon dissolution. The unit is being held for future resale to an individual who is eligible for the low income housing program.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 – PROPERTY HELD FOR RESALE (Continued)**

In December 2016, the City Council authorized the City to purchase a below market rate (BMR) unit with available funds from the Low and Moderate Income Housing Fund. The unit is being held for future resale or for rental to a qualified income restricted household.

In October 2017, the City Council authorized the City to purchase a below market rate (BMR) unit with available funds from the Low and Moderate Income Housing Fund. The unit is being held for future resale or for rental to a qualified income restricted household.

The City has three properties held for resale. The properties are reported in governmental activities in the Statement of Net Position as Property Held for Resale. The carrying value at June 30, 2020 shown on the table below.

<u>Property Name</u>	<u>Property Address</u>	<u>Amount</u>
Housing Unit	633 Elm St #305, San Carlos	\$ 354,999
Housing Unit	633 Elm St #405, San Carlos	377,987
Housing Unit	1001 Laurel St #207, San Carlos	239,843
Total Value		<u>\$ 972,829</u>

**NOTE 7 – LONG-TERM LIABILITIES**

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 718,095	\$ 575,849	\$ (477,556)	\$ 816,388	\$ 489,833
Claims liability	532,000	188,540	(108,840)	611,700	283,700
2015 Refunding General Obligation Bonds	3,385,000	-	(320,000)	3,065,000	365,000
Bond Premiums	116,181	-	(14,523)	101,658	14,523
<b>Total Governmental Activities</b>	<u>\$ 4,751,276</u>	<u>\$ 764,389</u>	<u>\$ (920,919)</u>	<u>\$ 4,594,746</u>	<u>\$ 1,153,056</u>

**a. 2015 Refunding General Obligation Bonds**

The 2015 Refunding Bonds were issued under a resolution adopted by the City Council on February 9, 2015 to refinance the City's outstanding City of San Carlos 2005 General Obligation Refunding Bonds, which were issued on December 20, 2005 in the aggregate principal amount of \$8,115,000. The 2005 General Obligation Bonds were refunded with the issuance of the 2015 General Obligation ("GO") Bonds. The proceeds from the bonds were used for the construction of the City's public library.

The 2015 Refunding Bonds are general obligations of the City payable solely from ad valorem property taxes levied by the City and collected by the County. The total principal and interest remaining to be paid on the bonds is \$3,065,000 and \$235,925, respectively. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$393,650 and \$431,503 respectively.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

The total cash flow savings including the application of the excess tax revenues of \$1,483,637 were \$2,498,038 and the net present value of the savings resulted in an economic gain of \$777,443. The refunding resulted in a \$19 savings for the average residential homeowner, which reduced the GO Bond tax from \$47 to \$28. Estimated savings will change over time with the growth in the City's assessed value, but is estimated to average \$17 for the 11 years that a 2015 GO Bond tax rate is required. Total estimated savings to the average residential homeowner is \$182.

Interest on Refunding GO Bonds accrues from the date of delivery and is payable semi-annually on February 1 and August 1, commencing August 1, 2015, and ranging from 3% to 2%. Principal payments are due annually on August 1.

The Refunding Bonds are general obligations of the City, payable solely from *ad valorem* property taxes levied by the City and collected by San Mateo County. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court of competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2020.

Annual debt service requirements for the 2015 Refunding GO Bonds are shown below.

For the Year Ending June 30	Principal	Interest	Total
2021	\$ 365,000	\$ 63,375	\$ 428,375
2022	390,000	52,050	442,050
2023	415,000	42,050	457,050
2024	435,000	33,550	468,550
2025	460,000	24,600	484,600
2026 - 2027	1,000,000	20,300	1,020,300
Total	\$ 3,065,000	\$ 235,925	\$ 3,300,925

**NOTE 8 – COMPENSATED ABSENCES**

The changes in compensated absences for the year ending June 30, 2020 are as follows:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One year
<b>Governmental Activities:</b>					
Compensated absences	\$ 718,095	\$ 575,849	\$ (477,556)	\$ 816,388	\$ 489,833
<b>Total Governmental Activities</b>	<b>\$ 718,095</b>	<b>\$ 575,849</b>	<b>\$ (477,556)</b>	<b>\$ 816,388</b>	<b>\$ 489,833</b>
<b>Business-Type Activities:</b>					
Compensated absences	\$ 81,693	\$ 30,141	\$ (38,506)	\$ 73,328	\$ 43,997
<b>Total Business-type Activities</b>	<b>\$ 81,693</b>	<b>\$ 30,141</b>	<b>\$ (38,506)</b>	<b>\$ 73,328</b>	<b>\$ 43,997</b>



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 – FUND BALANCES**

**a. Fund Balance**

Detailed classifications of the City’s Fund Balances as of June 30, 2020 are below.

Fund Balance Classifications	General Fund	Capital Project Funds		Other Governmental Funds	Total
		Capital Improvement	Housing		
<b>Nonspendable:</b>					
Inventory and prepaids	\$ 203,543	\$ -	\$ -	\$ -	\$ 203,543
<b>Total Nonspendable Fund Balances</b>	<b>203,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>203,543</b>
<b>Restricted for:</b>					
Police grants	-	-	-	342,929	342,929
City parks	-	-	-	2,206,124	2,206,124
Traffic management	-	-	-	1,007,322	1,007,322
National Pollutant Discharge Elimination System	-	-	-	545,018	545,018
Street maintenance	-	-	-	1,122,315	1,122,315
Debt service	-	-	-	1,020,951	1,020,951
Housing	-	-	13,917,449	-	13,917,449
<b>Total Restricted Fund Balances</b>	<b>-</b>	<b>-</b>	<b>13,917,449</b>	<b>6,244,659</b>	<b>20,162,108</b>
<b>Committed to:</b>					
Library tenant activities	-	-	-	1,761,876	1,761,876
Parking lot improvements	-	-	-	325,448	325,448
Equipment replacement	-	-	-	3,497,305	3,497,305
Capital projects	-	28,160,434	-	-	28,160,434
Strategic property acquisitions	7,191,795	-	-	-	7,191,795
Emergency reserve	9,317,932	-	-	-	9,317,932
<b>Total Committed Fund Balances</b>	<b>16,509,727</b>	<b>28,160,434</b>	<b>-</b>	<b>5,584,629</b>	<b>50,254,790</b>
<b>Assigned to:</b>					
Facility/infrastructure improvements	16,841,500	-	-	-	16,841,500
<b>Total Assigned Fund Balances</b>	<b>16,841,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,841,500</b>
<b>Unassigned:</b>					
General Fund	2,890,529	-	-	-	2,890,529
<b>Total Unassigned Fund Balances</b>	<b>2,890,529</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,890,529</b>
<b>Total Fund Balances</b>	<b>\$ 36,445,299</b>	<b>\$ 28,160,434</b>	<b>\$ 13,917,449</b>	<b>\$ 11,829,288</b>	<b>\$ 90,352,470</b>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 – FUND BALANCES (Continued)**

**b. Fund Balance Commitments**

The City has the following committed fund balances shown on the governmental balance sheet:

**Economic Uncertainties:** General Fund committed fund balance for Economic Uncertainties equal to a minimum of 12.5% of the General Fund expenditures with a target of increasing to 20% of General Fund expenditures.

Once established, appropriations from the Economic Uncertainties fund balance commitment can only be made by formal action of the City Council. Generally, appropriations and access to these funds will be reserved for emergency situations. Examples of such emergencies include, but are not limited to: catastrophic disaster (declared by Governor); budgeted revenue taken by another government entity; or a more than 5% drop in projected revenue to the General Fund. The balance as of June 30, 2020 was \$9,317,932.

**Strategic Property Acquisitions:** General Fund committed fund balance for Strategic Property Acquisitions accumulates funds from the proceeds of sales of City properties, as directed by the City Manager or City Council.

Once established, appropriations from the Strategic Property Acquisitions Reserve fund balance commitment can only be made by formal action of the City Council. Generally, appropriations and access to these funds will be reserved for funding strategic property acquisitions by the City. The balance as of June 30, 2020 was \$7,191,795.

**Community Endowment:** General Fund committed fund balance for community endowment to establish a community foundation to benefit San Carlos and its communities. On November 12, 2019, the City Council adopted Resolution 2019-094 authorizing the transfer of \$2 million Community Endowment to the Community Foundation of San Carlos to benefit the San Carlos community subject to the Endowment Fund Agreement. As of June 30, 2020 no balance was left in the Community Endowment Reserve.

**Equipment and Vehicle Replacement Reserves:** A Replacement Fund is maintained as a separate fund for budgetary purposes to fund the replacement costs of existing non-sewer-related vehicles, major equipment, and information technology items when they reach the end of their useful lives. Sewer-related items will be maintained in the Wastewater Fund. The Replacement Fund will be analyzed by staff at least annually as part of the budget update process for changes in assets, useful lives, estimated replacement costs, and appropriate funding levels. This fund is to be maintained at a level sufficient to fund 100% of the assets, based on estimated replacement costs and useful lives. The balance as of June 30, 2020 was \$3,497,305.

The City also has commitments for community development projects, general government, and capital projects totaling \$30,247,758.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – NET PENSION LIABILITY**

**a. California Public Employees’ Retirement System (“CalPERS”) Plan**

**Description of Plan**

The City of San Carlos Miscellaneous Plans Tier 1, Tier 2, Tier 3 and Public Employees’ Pension Reform Act of 2013 (“PEPRA”), all Safety Plans (Safety Police and Safety Fire) and Safety PEPRA are all cost-sharing multiple-employer defined benefit pension plans (the Cost-Sharing Plans) administered by CalPERS. All qualified permanent and probationary employees are eligible to participate in the City’s Cost-Sharing Plans. Benefit provisions under the Cost-Sharing Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include full descriptions of each of the Cost-Sharing Plans regarding benefit provisions, assumptions and membership information. These reports can be found on the CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at an age as early as 50 in the Cost-Sharing Plans 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.

PEPRA requires new benefits and member contributions for new members as defined by PEPRA that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013 risk-pool valuations. Therefore, pursuant to PEPRA, the Miscellaneous “Classic” plan is closed to new entrants as of January 1, 2013.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

The provisions and benefits of each plan in effect at June 30, 2020 are summarized as follows:

	<i>City Miscellaneous Plans</i>			
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>PEPRA</u>
Hire date	Prior to March 16, 2009	Prior to April 23, 2012	On or after April 23, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 and up	50 and up	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	8%	7%	7.0%
Required employer contribution rates	13.473%	11.721%	9.975%	7.026%
	<i>City Safety Plans</i>			
	<u>Tier 1</u>	<u>PEPRA</u>		
Hire date	On or after October 23, 2011	On or after January 1, 2013		
Benefit formula	2% @ 50	2.7% @ 57		
Benefit vesting schedule	5 years service	5 years service		
Benefit payments	monthly for life	monthly for life		
Retirement age	50 and up	50 and up		
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%		
Required employee contribution rates	9%	12%		
Required employer contribution rates	16.636%	13.034%		

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 (“UAL”). The dollar amounts are billed on a monthly basis. In the current fiscal year, the City’s required contributions for the unfunded liability in the Miscellaneous and Safety Plans were \$8,262,037 and \$1,655,211, respectively.

The \$8,262,037 reported as contributions toward the UAL includes \$7 million which was approved by the City Council on June 8, 2020 under the Resolution 2020-030. The resolution authorized the transfer of \$7 million from the Unfunded Liability Reserve to pay down the CalPERS unfunded pension liability which is estimated to eliminate \$10.8 million in future payments. After deducting the upfront investment of \$7 million, this equates to \$3.8 million of net savings. Annual payments on the City’s unfunded pension liability will be reduced by an average of \$895,000 for the next eight years (2021-2028) and \$451,000 over the following eight years (2029-2036). It would also enhance budget predictability by lowering pension payments over the next 16 years.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

**Contributions**

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

For the year ended June 30, 2020 the contributions recognized as part of pension expense for each plan were as follows:

	Safety	Miscellaneous
Contributions - employer	\$ 1,676,149	\$ 9,110,376

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

As of the June 30, 2019 measurement date, the City reported net pension liabilities for its proportionate share of the net pension liability of each Miscellaneous and Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	\$ 20,128,984
Miscellaneous	18,386,126
Total Net Pension Liability	\$ 38,515,110

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans were measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2018 and 2019 was as follows:

Proportion - June 30, 2019	0.37587%
Proportion - June 30, 2018	0.37785%
Change Increase/(Decrease)	-0.00198%

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

For the year ended June 30, 2020, the City recognized a pension expense of \$6,261,078 for the CalPERS Plan. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety		Miscellaneous		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 1,676,149	\$ -	\$ 9,110,376	\$ -	\$ 10,786,525	\$ -
Differences between actual and expected experience	1,314,241	-	1,276,994	(98,941)	2,591,235	(98,941)
Changes in assumptions	825,052	(161,008)	876,735	(310,795)	1,701,787	(471,803)
Net differences between projected and actual earnings on plan investments	-	(276,908)	-	(321,446)	-	(598,354)
Difference in actual contributions and proportion contributions	-	(292,716)	2,256,699	(723,636)	2,256,699	(1,016,352)
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(925,251)	220,779	(2,436,013)	220,779	(3,361,264)
<b>Total</b>	<b>\$ 3,815,442</b>	<b>\$ (1,655,883)</b>	<b>\$ 13,741,583</b>	<b>\$ (3,890,831)</b>	<b>\$ 17,557,025</b>	<b>\$ (5,546,714)</b>

In the table above, the \$10,786,525 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2019 but before the end of the City's reporting period ended June 30, 2020, will be recognized as a reduction of the net pension liabilities in the subsequent fiscal year 2021 rather than in the current fiscal year 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Safety Annual Amortization	Miscellaneous Annual Amortization	Total
2021	\$ 783,925	\$ 936,304	\$ 1,720,229
2022	(457,890)	(330,491)	(788,381)
2023	103,498	69,608	173,106
2024	53,877	64,955	118,832
<b>Total</b>	<b>\$ 483,410</b>	<b>\$ 740,376</b>	<b>\$ 1,223,786</b>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

**Actuarial Assumptions**

The total pension liabilities in the actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirement of GASB 68
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increases	Varies by Entry Age and Services
Investment Rate of Return	7.15% (1)
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds (2)
Post Retirement Benefit Increase	The lesser of contract COLA or 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

(1) Net of pension plan investment expenses, including inflation

(2) The mortality table used was developed based on CalPERS' specific data.

The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. 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 for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

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

The table below reflects the expected real rate of return by asset class.

Asset Class (a)	Current Target Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%
Total	100%		

(a) In the CalPERS CAFR, Fixed Income is included in the Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the 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:

	Discount Rate		
	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Safety	\$ 28,021,075	\$ 20,128,984	\$ 13,658,705
Miscellaneous	28,803,240	18,386,126	9,787,534



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**Subsequent Event – CalPERS Pension Contribution Rates**

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the City’s contribution rates for the fiscal year ended June 30, 2021 are expected to increase over the fiscal year 2020 contribution rates.

**b. Public Agency Retirement Services (“PARS”) Longevity Recognition Plan**

**Plan Description and Benefits**

The City sponsors a Longevity Recognition Single Employer Defined Benefit Plan for its retirees. All full-time employees hired before January 1, 2009 are eligible for a longevity recognition benefit if they retire from the City with a CalPERS pension and with at least 10 years of City service. All AFSCME (formerly known as Clerical and Mid-Management) and Teamsters employees hired on or after January 1, 2009 and before the following exclusion dates depending on bargaining group are eligible for a longevity recognition benefit if they retire from the City with a CalPERS pension and with at least 15 years of City service.

<u>Bargaining Group</u>	<u>Exclusion Date</u>
AFSCME (formerly known as Mid-Management)	December 13, 2010
AFSCME (formerly known as Clerical)	February 28, 2011
Teamsters	March 28, 2011

Employees hired by the City before January 1, 2009 receive a monthly payment equal to the Internal Revenue Code (IRC) Section 125 Plan benefit for active Miscellaneous employees and the former fire service employees with single coverage, \$869.78 per month for 2020, subject to future annual increases. The cap for Police retirees has been \$718.11 since 2011 and is not expected to be increased.

Eligible employees hired by the City after January 1, 2009 and before the exclusion date for their respective bargaining groups will receive a monthly payment of \$350 per month with no future increases upon retirement.

The longevity recognition benefit is payable for the retiree’s lifetime. No continuation of longevity benefits are payable to surviving spouses or dependents. No employees hired after the above exclusion dates are eligible for longevity benefits.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

**Participants Covered**

As of the measurement date, June 30, 2019, the number of participants is as follows: 27 active and 46 retirees.

**Contributions**

During the year ended June 30, 2020, the contributions totaled \$617,300.

**Net Pension Liability**

The net pension liability for the plan is measured as the total pension liability, less the Plan's fiduciary net position. A summary of the actuarial assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions and Discount Rate**

<b>Actuarial Methods and Assumptions</b>	
Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Discount Rate	6.00%
Inflation Rate	2.50%
Salary Increase	3.0% per year, used only to allocate the cost of benefits between service years
Investment Rate of Return	6.00%
Demographic Assumptions	Rates of retirement, disability and other terminations are based on the CalPERS 2017 experience study using data from 1997 to 2015, except for a different basis used to project future mortality improvement.
Mortality Improvements	The representative mortality rates were those published by CalPERS adjusted to back out 15 years of Scale MP 2016 to central year 2015.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

**Changes in the Net Pension Liability**

The changes in the June 30, 2019 measurement date follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2018</b>	\$ 10,167,925	\$ 3,251,158	\$ 6,916,767
<b>Changes in the year:</b>			
Service cost	173,493	-	173,493
Interest on the total pension liability	608,083	-	608,083
Contribution - employer	-	459,000	(459,000)
Net investment income	-	183,313	(183,313)
Administrative expenses	-	(549)	549
Differences due to plan experience	(2,151)	-	(2,151)
Change of assumptions	(36,873)	-	(36,873)
Benefit payments	(413,387)	(413,387)	-
<b>Net changes</b>	<u>329,165</u>	<u>228,377</u>	<u>100,788</u>
<b>Balance at June 30, 2019</b>	<u>\$ 10,497,090</u>	<u>\$ 3,479,535</u>	<u>\$ 7,017,555</u>

**Sensitivity of the Net Pension Liability to changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the 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:

	Discount Rate		
	1% Decrease 5.00%	Current 6.00%	1% Increase 7.00%
Net Pension Liability	\$8,439,027	\$7,017,555	\$5,845,489

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plans' fiduciary net position is available in the separately issued PARS financial reports.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 – NET PENSION LIABILITY (Continued)**

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

For the year ended June 30, 2020, the City recognized pension expense of \$369,460 for the PARS Longevity Recognition Plan. At June 30, 2020, the City reported the following related to this Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 617,300	\$ -
Differences between actual and expected experience	115,908	(1,357)
Changes in assumptions	-	(283,371)
Net differences between projected and actual earnings on plan investments	<u>40,817</u>	<u>-</u>
Total	<u>\$ 774,025</u>	<u>\$ (284,728)</u>

The \$617,300 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2021	\$ (135,921)
2022	(4,636)
2023	9,934
2024	2,620
Total	<u>\$ (128,003)</u>

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS**

**a. Provisions and Benefits**

**OPEB Healthcare:** During fiscal year 2009, the City joined the California Employers' Retiree Benefit Trust ("CERBT"), an agent multiple-employer plan administered by CalPERS, consisting of an aggregation of single-employer plans. City Council authorized a deposit of \$1,575,000 with CERBT on October 10, 2008 to begin funding its OPEB liability.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouse and dependents are not included) under Public Employees' Medical Healthcare Act ("PEMHCA"). A summary of eligibility and retiree contribution requirements are described below:

Employees are eligible for retiree health benefits if they retire from the City with a CalPERS pension.

**CITY OF SAN CARLOS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

For retirees who retired on or before December 31, 2008, the City will reimburse the retiree only premium, up to the active employee single cap. The cap amount for miscellaneous is \$869.78 per month for 2020. The cap amount for safety (Police) retirees is \$718.11 and is not expected to be increased.

The City will continue to pay the CalPERS minimum contribution for surviving spouses of retirees as long as they remain enrolled in a health plan sponsored by CalPERS (PEMHCA).

For employees retiring on or after January 1, 2009 from the City of San Carlos who choose to enroll in a CalPERS retiree health plan, the City contributes the minimum monthly premium amount specified by CalPERS towards the cost of CalPERS (PEMHCA) medical premiums. The minimum is \$139 per month for 2020.

As of June 30, 2020, 70 retired employees participated in the retiree healthcare benefits. Additionally, 87 current employees have met the criteria for the retiree healthcare benefits and are eligible to participate in the program if they retire from the City of San Carlos in future years.

**b. Employees Covered**

Membership in the plan consisted of the following at June 30, 2020:

Active employees	87
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	70
Inactive employees entitled to but not yet receiving benefit payments	<u>37</u>
Total	<u><u>194</u></u>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**c. Net OPEB Liability**

**Actuarial Methods and Assumptions:** The City’s net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 that was rolled forward to determine the total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Funding Method	Entry age normal cost, level percent of pay
Assets Valuation Method	Market value of assets
	6.25% as of June 30, 2019
Long Term Return on Assets	7.00% as of June 30, 2018
	Net of plan investment expenses, trust administrative expenses, and including inflation
	6.75% as of June 30, 2019
Discount Rates	6.70% as of June 30, 2018
Salary Increase	3.0% per year, used only to allocate the cost of benefits between service years
Inflation Rate	2.5% per year
Healthcare Cost Trend Rates	5.4% in 2021, fluctuates until ultimate rate of 4% in 2076
Mortality Improvement	Macleod Watts Scale 2020 applied generationally from 2015

**Discount Rate:** The discount rate used to measure the Total OPEB Liability was 6.75%.

**Changes in Net OPEB Liability:** The changes in the Net OPEB Liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
<b>Balance at Fiscal Year Ending 6/30/2019:</b>	\$ 5,735,321	\$ 2,721,587	\$ 3,013,734
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	112,103	-	112,103
Interest on the total OPEB liability	377,356	-	377,356
Expected investment income	-	187,198	(187,198)
Employer Contributions	-	575,870	(575,870)
Administrative expenses	-	(578)	578
Other expenses	-	-	-
Difference between expected and actual experience	(791,845)	-	(791,845)
Changes of assumptions	(192,646)	-	(192,646)
Investment experience	-	(24,988)	24,988
Benefit payments	(430,477)	(430,477)	-
<b>Net Changes during Fiscal Year 2020</b>	<b>(925,509)</b>	<b>307,025</b>	<b>(1,232,534)</b>
<b>Balance at Fiscal Year Ending 6/30/2020:</b>	<b>\$ 4,809,812</b>	<b>\$ 3,028,612</b>	<b>\$ 1,781,200</b>

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**d. Sensitivity of the Net OPEB Liability**

The following presents the Net OPEB Liability, as well as what the Net OPEB 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 discount rate:

<b>Net OPEB Liability/(Asset)</b>		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(5.75%)	(6.75%)	(7.75%)
\$ 2,245,000	\$ 1,781,200	\$ 1,384,951

The following presents the Net OPEB Liability, as well as what the Net OPEB Liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

<b>Net OPEB Liability/(Asset)</b>		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
(4.4%)	(5.4%)	(6.4%)
\$ 1,404,863	\$ 1,781,200	\$ 2,211,410

**e. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the City recognized OPEB expense of \$181,916. As of fiscal year ended June 30, 2020, it reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$ 476,115	\$ -
Net difference between projected and actual earnings on investments	22,296	-
Differences between actual and expected experience	-	(668,119)
Changes of assumptions	94,417	(162,545)
Total	\$ 592,828	\$ (830,664)

\$476,115 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Annual Amortization
2021	\$ (120,923)
2022	(120,924)
2023	(114,092)
2024	(142,656)
2025	(153,827)
Thereafter	(61,529)
Total	\$ (713,951)

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 12 – RISK MANAGEMENT**

**a. Liability Coverage**

The City participates in the Pooled Liability Assurance Network Joint Powers Authority (“PLAN JPA”), which consists of 28 member cities in the San Francisco bay area. Members of the PLAN JPA collectively share the risk of self-insured losses and purchase a broad range of risk management services including, but not limited to, program administration, accounting and finance, claims administration, risk control, loss prevention, actuarial services, training and education, and legal services to support the shared risk programs. PLAN JPA provides General Liability, Auto Liability, and Errors and Omissions coverage in excess of the City’s retained limit, or self-insured retention (SIR). The PLAN JPA provides \$5,000,000 of general and automobile liability coverage per occurrence and \$25,000,000 excess liability coverage per occurrence (providing a total of \$30,000,000 per occurrence) and is responsible for paying claims in excess of the City’s \$100,000 deductible.

Financial statements may be obtained from PLAN JPA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

**b. Workers' Compensation Coverage**

The City participates in the Cities Group, created by a joint powers agreement to provide workers’ compensation coverage of up to \$10,000,000 per occurrence in excess of \$1,500,000 for safety officers and \$1,000,000 for miscellaneous employees. The Cities Group acts as administrator, claim adjuster and provides other risk management services as required by State law. Each member of the Cities Group pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the Cities Group.

Financial statements may be obtained from the Cities Group, P.O. Box 111, Burlingame, CA 94011-0111.

**c. Liability for Uninsured Claims**

The City’s liability for uninsured claims at June 30, 2020 was estimated by management based on the PLAN JPA’s claims experience and recorded in the Liability Insurance Internal Service Fund.

For the years ended June 30, 2020 and 2019, the amount of settlements did not exceed insurance coverage.



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 12 – RISK MANAGEMENT (Continued)**

The City's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by management based on prior years' claims experience as follows for the year's ended:

	June 30,	
	2020	2019
Beginning balance	\$ 532,000	\$ 563,000
Net change in liability for claims and claims paid but not reported	188,540	881,105
Claims paid	(108,840)	(912,105)
Balance at June 30	611,700	532,000
Current Portion	283,700	282,000
Long-term Portion	\$ 328,000	\$ 250,000

**NOTE 13 – JOINT VENTURES**

The City participates in joint ventures through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these Joint Power Authorities ("JPAs") exercise full powers and authorities within the scope of the related JPA agreements, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts, and the right to sue and be sued. Each JPA is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

**a. Belmont-San Carlos Fire Department**

The South County Fire Authority was formed in 1979 between the Cities of San Carlos and Belmont on an equal basis to provide more efficient fire protection services for the two cities. Any assets used by the Fire Authority but owned by the member agencies prior to the creation of the Fire Authority remain the property of the members. Each member contributes its pro rata share of operating costs to the Fire Authority.

On April 12, 2010, the City Council adopted a resolution authorizing the City Manager to send notice to the Belmont Fire Protection District of the City's intent to dissolve the JPA establishing the Belmont-San Carlos Fire Department. The service termination of the Belmont-San Carlos Fire Department took effect on October 1, 2011.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 – JOINT VENTURES (Continued)**

As a result of the termination of service with the Belmont-San Carlos Fire Department, the City is required to make an annual contribution for: other post-employment benefits for retirees who have earned lifetime medical coverage; unfunded liabilities of the safety and miscellaneous retirement plans with CalPERS; outstanding workers' compensation claims from past employees; and liability claims or other obligations of the former Fire Department. The City's contribution during the year ended June 30, 2020 was \$1,710,389.

**b. Fire and Emergency Services Agreement with the City of Redwood City**

In July 2011, the City of San Carlos and the City of Redwood City entered into a JPA agreement for fire and emergency services. This original agreement allowed the City of San Carlos to maintain a fire department, including personnel and infrastructure, at its sole cost sufficient to provide certain emergency and non-emergency services. The City of Redwood City provided certain fire and emergency services, including fire administration and support; fire prevention; investigation; and training. The City of San Carlos pays the City of Redwood City a fee for the services provided that is reviewed in January of each year and amended to reflect actual increases or decreases in cost.

On June 24, 2013, the City Council adopted a resolution for the execution of the amended and restated agreement between the Cities of Redwood City and San Carlos for a full service model for fire and emergency services. The restated agreement also included the transfer of fire services personnel from the City of San Carlos to the City of Redwood City on July 1, 2013. The term of the agreement was five years, which began on July 1, 2013 and expired on June 30, 2018.

In April 2018, the Cities of Redwood City and San Carlos negotiated a restated agreement for another five years, commencing on July 1, 2018 and expiring on June 30, 2023. Cost of services will be reviewed annually and brought forward for Council approval each year. The total charges for fiscal year 2020 were \$7,750,671.

**c. Law Enforcement Services Agreement with the County of San Mateo**

In September 2010, the City Council approved a five-year Police Services Agreement contract with the County of San Mateo Sheriff's Office to provide law enforcement to the City. The contract with the Sheriff's Office includes police management, patrol, investigation, traffic enforcement, community and school services, and support service components. The contract maintains minimum staffing levels for patrol, provides for the same quick response times, and restores many of the key community programs that the San Carlos Police Department had provided during better economic times. The consolidation of police services with the Sheriff's Office results in estimated annual savings of approximately \$2 million. Annual cost increases are limited to those increases required under California Government Code Section 51350.

On May 11, 2015, the agreement with the Sheriff's Office was renewed for another 5-year term expiring June 30, 2020. The total charges for fiscal year 2020 were \$7,297,434. In June 2020, the Council approved a new 5-year agreement with the San Mateo County Sheriff's Office for July 2020 through June 2025.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 – JOINT VENTURES (Continued)**

**d. Silicon Valley Clean Water (“SVCW”)**

Silicon Valley Clean Water (formerly the South Bayside System Authority) was formed in 1975 between the cities of San Carlos, Belmont, Redwood City, and the West Bay Sanitation District to operate a wastewater treatment facility. The cost of operating and maintaining the facility is divided in proportion to the volume of sewage entering from each member entity. During the year ended June 30, 2020, the City contributed \$3,755,784 toward the cost of operating and maintaining the facility and paid debt principal and interest of \$3,538,085 that included the State revolving fund loan and the financing agreements to finance the construction and rehabilitation of SVCW’s wastewater system. For the fiscal year 2021, the City is obligated to pay debt principal and interest payments totaling \$3,404,039.

The condensed audited financial information of the JPA as of June 30, 2019 is as follows:

Total Assets	\$ 479,334,378
Total Deferred Outflows	5,611,134
Total Liability	(378,937,205)
Total Deferred Inflows	(1,246,858)
Total Net Position	<u>\$ 104,761,449</u>
Total Operating Revenues	\$ 68,827,874
Total Operating Expenses	(35,202,864)
Total Operating Income (Loss)	<u>33,625,010</u>
Other Income (Loss)	(8,781,740)
Net Income	<u>\$ 24,843,270</u>
Cumulative Agency Balances:	
Belmont	\$ 34,399,880
San Carlos	7,565,628
Redwood City	42,012,663
West Bay Sanitation District	20,783,278
Total Net Position	<u>\$ 104,761,449</u>

As of June 30, 2020, the City’s direct obligation is \$83,843,873, which is related to the 2014, 2015, 2018, and 2019 WIFIA loan and revenue bonds.

The City entered into financing agreements with SVCW for repayment of the City’s allocated share of the 2009, 2014, 2015, and 2018 bonds and 2019 WIFIA in the amount of \$86,325,484. The financing agreements are secured by a pledge of the City’s Sewer Enterprises Fund Net Revenue as defined under the financing agreements. For fiscal year 2020, gross Sewer Fund revenues, including operating revenues and non-operating interest earnings, amounted to \$20,689,837. The operating and maintenance costs, including operating expenses, transfers out for overhead and administrative costs (but excluding interest and depreciation or amortization) amounted to \$9,701,600. Net revenues available for debt services amounted to \$10,988,237, which represented coverage of 3.51 times over the total of debt services of \$3,128,081.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 – JOINT VENTURES (Continued)**

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 15.14%.

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.

Proceeds associated with the Refunded 2008 Bonds were deposited into the "2008 Escrow Fund" for principal and interest payments through August 1, 2017, which was when the remaining proceeds were applied to pay the redemption price of the outstanding Refunded 2008 Bonds in full. As a result of the deposit and the application of funds under the escrow agreement relating to the Refunded 2008 Bonds, the Refunded 2008 Bonds are considered fully defeased upon the issuance of the 2015 bonds and are no longer secured by revenues that were originally pledged for the payment of the 2008 Bonds.

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

On February 1, 2018, SVCW issued the 2018 Wastewater Revenue Bonds in the amount of \$140,955,000 to finance the acquisition and construction of capital improvements to SVCW's wastewater system. Under the JPA, the City is obligated to pay its allocated share of debt service on the 2018 Bonds.

On February 1, 2018, the City entered into a Financing Agreement with SVCW for repayment of its allocated share of the 2018 Bonds in the amount of \$25,635,000 and to provide adequate security for the 2018 Bonds. The financing agreement is secured by a pledge of the City's Sewer Enterprise Fund Net Revenue as defined under the Financing Agreement. The pledge of future Net Revenue ends upon repayment of all the remaining debt service, which is scheduled to occur on August 1, 2048.

Water Infrastructure Finance and Innovation Act ("WIFIA") Loan and Revenue Notes

On May 28, 2019, the City entered into a Financing Agreement with SVCW for repayment of its allocated share of the WIFIA to finance WIFIA program in the amount of \$33,725,000. The WIFIA loan is to provide funding for the construction of improvements to wastewater treatment plant and facilities, including the Regional Environment Sewer Conveyance Upgrade Program.

The City's investment in SVCW was adjusted to reflect a net increase in the investment of \$1.4 million. Every year the City adjusts the investment based on the City's proportion of financial activity at SVCW.

Financial statements may be obtained by mailing a request to Silicon Valley Clean Water, 1400 Radio Road, Redwood City, CA 94065.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 – JOINT VENTURES (Continued)**

**e. City/County Association of Governments of San Mateo County (“C/CAG”)**

City/County Association of Governments of San Mateo County (C/CAG) was formed in 1990 between the various cities in San Mateo County to prepare, adopt, monitor, and enforce State mandated plans for the management of traffic congestion, integrated solid waste, airport land use, and hazardous waste. The City's contribution to C/CAG was \$100,972 for the year ended June 30, 2020. The City provided financial services to C/CAG and received \$93,000 for the services during the fiscal year.

Financial statements may be obtained by mailing a request to the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

**f. South Bayside Waste Management Authority (“SBWMA”)**

The South Bayside Waste Management Authority (‘the Authority’) was formed by a joint powers agreement on October 13, 1999. Members of the Authority currently include the cities of Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, as well as the West Bay Sanitary District and the County of San Mateo. The members are required by Assembly Bill (AB) 939 to reduce, recycle, and reuse solid waste generated within their respective jurisdictions and to provide source reduction, recycling, and composting activities. The Authority's purpose is to assist its members in meeting these requirements.

Financial statements may be obtained by mailing a request to SBWMA.

**g. Peninsula Traffic Congestion Relief Alliance (“Commute.org”)**

The Peninsula Traffic Congestion Relief Alliance (Commute.org) is a joint exercise of powers between the cities of Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Half Moon Bay, Millbrae, Pacifica, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, and the County of San Mateo, Town of Atherton, and Town of Hillsborough. It was formed to perform transit systems management efforts to mitigate traffic congestion in the member communities. Commute.org began operations on July 1, 2000. Starting on January 1, 2018, the City began providing financial services to Commute.org and received \$80,000 for the services during the fiscal year.

Financial statements may be obtained by mailing a request to the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

**h. California Municipal Finance Authority (“CMFA”)**

On September 9, 2019, the City Council adopted Resolution 2019-071 authorizing the execution of a Joint Exercise of Powers Agreement and approving the issuance of tax-exempt bonds by the CMFA for the benefit of Charities Housing Development Corporation of Santa Clara County (the “Sponsor”), on behalf of Walnut Street, L. P., or a subsidiary or affiliate thereof (the “Borrower”), to provide for the financing of new construction of a 24-unit affordable rental housing facility for the benefit of the 817 Walnut Street project.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 – JOINT VENTURES (Continued)**

The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural, and community development through the financing of economic development and charitable activities throughout the California. The CMFA also assists local governments, non-profit organizations, and business with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. Over 300 municipalities have become members of CMFA.

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES**

The City is subject to litigation arising during the normal course of business. In the opinion of the City Attorney, there is no pending litigation that is likely to have a material adverse effect on the financial position of the City.

The City participates in Federal, State and local grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act of 1984, as amended, and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors, and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**a. Palo Alto Medical Foundation Development Agreement**

On October 8, 2007, after an extensive 3 1/2-year process, the City Council approved a proposal by the Palo Alto Medical Foundation ("PAMF") to develop a regional Medical Clinic, Medical Office Building, and Hospital on an 18-acre site at 301 Industrial Road in San Carlos that formerly housed the Varian – CPI Eimac plant. In 2011, Sutter Health, PAMF's parent organization, approved funding for the first phase of construction of the medical facility. This included construction of the Medical Office Building and Clinic, the parking garage to serve full facility build-out, and site improvements, including utilities, loop access road, and landscaping. In May 2012, PAMF received construction permits from the City and began work. The Medical Office Building and Clinic opened to patients in November 2014. A second phase of the project, to construct the Hospital on this site, remains unfunded.

The purchase and transfer of the 18-acre site at 301 Industrial Road took a major parcel in San Carlos off of the property tax rolls of the City. This occurred when the title to the site passed from 301 Industrial LLC (the entity performing the site clearance and remediation activities) to PAMF, which is a tax-exempt entity. In addition, the PAMF San Carlos Center generates very little in sales tax revenue for the City. To offset this fiscal impact, a Development Agreement with PAMF was entered into to ensure that the City would be in substantially the same position financially as the City would likely have been with use of the Project Site for an economically productive purpose.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

The key components of the Development Agreement are described in the table below. The Development Agreement guarantees the City nearly \$91,000,000 in revenue over a 50-year period. When factoring in costs for City services, the Development Agreement would net the City \$43,939,000 over 50 years, resulting in a positive net present value of \$11,642,000. The net amount does not include one-time payments of \$1 million to the City for athletic fields and \$1.5 million to the San Carlos Education Foundation for educational purposes. This amount also does not include the City's share of any excess returns of the \$9 million principal amount to be funded by PAMF under the agreement, which could be substantial depending on the investment returns received on the fund.

The financial impacts of these developments are beneficial to the City. The Guaranteed Minimum Payments (item "C" in the table below) began in 2010-11 with a payment of \$630,000 in April 2011 after receipt of \$250,000 per year payments in the two years prior as described in the Development Agreement. Guaranteed Minimum Payments continued the following year with a payment of \$786,783 in April 2020. The next guaranteed payment will be \$806,454 in April 2021.

In addition to receiving the Year 3 Guaranteed Minimum Payments of \$630,000 in April 2011 as specified in the Development Agreement, the start of construction triggered two more events.

First, the City received the "construction period revenue" for Phase 1 of the PAMF development (see item "D" in the table below). Since the second phase of the project is unfunded, the City and PAMF agreed to allocate \$252,700 of the total construction period revenue to Phase 1, which the City has received.

Second, the start of construction triggered payment to the City of the "guaranteed minimum annual operational use tax revenue" one year after construction is completed (see item "E" in the table below).

**b. Ordinance 1538 - Amending Development Agreement to the Palo Alto Medical Foundation**

On November 13, 2018 Council approved amending the Development Agreement between the City and the Palo Alto Medical Foundation for health care, research, and education related to the development of property at 301 Industrial Road to extend the vesting period for 10 years. Ordinance 1538 was adopted by the City Council on November 26, 2018. PAMF agreed to pay the City a portion of the Commercial Linkage Fee in the amount of \$2 million within 14 days after the amendment is final with the remaining fee due at the time building permits are issued. PAMF is also required to make a contribution of \$500,000 towards the US 101/Holly Pedestrian Bridge Project.

The initial contribution from PAMF to the City for the execution of the First Amendment to the Development Agreement is \$2.5 million.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

The revenue sources contained in the Development Agreement are summarized in the following table:

	Funding Source	Summary Description	Current Status
A	\$9 million endowment fund (called the Designated Fund)	At the end of 50 years, the Designated Fund becomes the City's to administer	No change.
B	50% of excess returns on the Designated Fund at the end of the payment term	In addition to receiving the \$9 million Designated Fund at the end of the term of the agreement, the City will then receive 50% of the amount of the Designated Fund that exceeds \$9 million	No change.
C	Guaranteed minimum payments from the revenue on the Designated Fund	\$250,000 in each of Years 1 and 2 \$630,000 in Year 3 \$630,000 inflated by 2.5% per year for the next 49 years	The City has received a total of \$7,558,131 from years 1 through 11. City will receive the year 12 payment of \$806,454 in April 2021 as scheduled.
D	Guaranteed minimum construction-related use tax revenue	\$722,000 for the principal construction period	With the start of construction in May 2012, construction period revenue (use tax assigned to the project by the contractors) began to flow to the City's sales tax account. At completion of Phase I construction, the City had received a total of \$252,700 in construction user taxes.
E	Guaranteed minimum annual operational use tax revenue	\$152,000/year inflated by 3% per year for 50 years	Deferred — \$152,000 per year is guaranteed for 50 years starting one year after construction of both the Medical Clinic and Hospital facilities are completed.
F	\$1.5 million	One-time payment to the San Carlos Education Foundation for health-related school programs	Received by San Carlos Education Foundation on Feb. 5, 2008.
G	\$1 million	One-time payment to the City to improve athletic facilities and fields	Received — by City of San Carlos on Feb. 5, 2008. The funds were used to install a synthetic turf field at Lower Highlands Park.
H	\$2.5 million	One-time payment to the City for amending development agreement	Received — by City of San Carlos on March 6, 2019. \$2 million paid for the commercial linkage fee and \$0.5 million was used for US101/Holly Pedestrian Bridge Project

**Total: \$93,304,000 (minimum) over 50 years**

**c. Construction Commitments**

Construction commitments as of June 30, 2020 consisted of the following projects:

Project Name	Contract Amount	Expenditures to date as of June 30, 2020	Remaining Commitments
Holly Street/US 101 Interchange Modification	\$ 2,988,817	\$ 1,532,076	\$ 1,456,741
San Carlos Ave Pedestrian Safety Improvement	3,629,542	2,721,116	908,426
On-call Sidewalk Repair	525,375	-	525,375
On-Call Sewer Replacement	378,700	-	378,700
Total	<u>\$ 7,522,434</u>	<u>\$ 4,253,192</u>	<u>\$ 3,269,242</u>



**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**d. Impact of COVID-19**

In March 2020, the City and the rest of the world experienced an unprecedented event with the declaration of the worldwide pandemic of a novel coronavirus (named “COVID-19” by the World Health Organization). It was also highly unexpected when the City of San Carlos was informed that a hotel within the city would be used to quarantine several individuals that had been exposed to COVID-19. That same day, the City Manager activated the City’s Emergency Operations Center and, acting as Director of Emergency Services, proclaimed the existence of a local emergency pursuant to 2.28.060(A)(1) of the San Carlos Municipal Code (Attachment 2) in response.

As a result of concerns over COVID-19, the San Mateo County Health Department recommended that all non-essential functions be cancelled. Therefore in March 2020, the City of San Carlos took the following actions:

- Closed the Adult Community Center (ACC);
- Closed the Youth Center following the closure of the schools;
- Closed City Hall to the public and moved the majority of employees to a remote work environment;
- Closed the San Carlos Library;
- Closed playgrounds and public restrooms;
- Moved Council and Commission meetings to online platforms;
- Cancelled private events in City facilities;
- Cancelled Youth Center and ACC activities, including senior trips, spring break camps, and activities.
- Suspended sports leagues; and
- Cancelled City events including: Hometown Days; Farmers’ Market; Summer Concerts; and future events scheduled for the Fall/Winter time frame in accordance with the health orders.

The City Council also took additional steps to offer assistance to the public during this difficult time including the following:

- Established a Tenant Assistance Program in the amount of \$112,000 and authorized the City Manager to enter into an agreement designating Samaritan House as the program administrator;
- Donated \$112,000 to the San Mateo County Strong Fund, which was established to provide support to small businesses in San Carlos;
- Donated \$70,000 to One Life Counseling Program to support its food distribution program;
- Donated \$20,000 to Caring Cupboard food assistance program;
- Approved the temporary closure of the 600-700 Blocks of Laurel Street and temporarily eliminated the parking on portions of Laurel Street and San Carlos Avenue to allow restaurants and businesses to use the right-of-way to extend outdoor dining and showcase merchandise; and
- Adopted a Resolution approving Street/Bicycle Loop Plans to encourage pedestrian activity.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**e. PG&E Settlement**

On December 5, 2019, the California Public Utilities Commission granted the Joint Motion of the City of San Bruno, the City of San Carlos, the Public Advocates Office, the Safety and Enforcement Division, the Utility Reform Network, and Pacific Gas and Electric Company (PG&E) (Parties), and adopted the Phase II Settlement Agreement. The Phase II Settlement Agreement resolved the Commission's investigation into eight separate proceedings in which PG&E admittedly failed to timely report ex parte communications, and engaged in improper ex parte communications, in violation of Commission Rules of Practice and Procedure, as well as certain provisions of the Public Utilities Code. As a result PG&E was ordered to pay \$1,000,000 to the City of San Carlos General Fund to compensate for attorney's fees, expenses, and any other harm caused on account of the misconduct. The Phase II Settlement Agreement stated that before payments could be made, the settlement be approved by the Bankruptcy Court as the Phase II Settlement Agreement covers prepetition claims. The Bankruptcy Court subsequently approved the payment on June 29, 2020 and as such was remitted to the City of San Carlos.

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provided for the dissolution of all Redevelopment Agencies in the State of California. This action impacted the reporting entity of the City of San Carlos that previously had reported a Redevelopment Agency within the reporting entity of the City as a blended component unit.

The Bill provided 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. On January 9, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, Redevelopment Agencies in 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 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 last and final Recognized Obligations Payment Schedule ("ROPS") and administrative costs budget for the period July 1, 2020 to June 30, 2035 was approved by the Department of Finance on November 18, 2019. Successor Agency will no longer have to prepare and submit the ROPS on an annual basis. The last and final ROPS provides a permanent guarantee that all of the Successor Agency's existing obligations will be repaid by 2035 without the annual review of the same debt items by the DOF under the current process.

**CITY OF SAN CARLOS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (Continued)**

**Additional Information for the Successor Agency of the Former Redevelopment Agency**

**a. Cash and Investments**

Cash and investments reported by the Successor Agency in the accompanying financial statements consisted of the following:

Cash and investments	\$ 1,073,323
Total Cash and Investments	\$ 1,073,323

In June 2020, the Successor Agency transferred former Redevelopment Agency Housing Bond Proceeds of \$1,138,388, the previously issued 1995 TAB Low and Moderate Income Housing Bond to the Low and Moderate Income Housing Fund, to finance affordable housing and the housing activities assumed by the City when the former Redevelopment Agency was dissolved.

**b. Long-term Debt**

The Successor Agency long-term debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance June 30, 2019	Retirements	Balance June 30, 2020	Due Within One Year
<b>Notes Payable:</b>				
Installment Purchase Agreement (a)	\$ 2,467,965	\$ (67,748)	\$ 2,400,217	\$ 74,657
2018 Tax Allocation Refunding Bonds (b)	11,540,684	(628,632)	10,912,052	643,860
Total	\$ 14,008,649	\$ (696,380)	\$ 13,312,269	\$ 718,517

(a) The Installment Purchase Agreement is a direct borrowing debt issue.

(b) The 2018 Tax Allocation Refunding Bonds are a direct placement debt issue.

**c. Installment Purchase Agreement**

On October 1, 1994, the Redevelopment Agency purchased real property and provided the bulk of the financing required to construct and equip an 85-unit residential care facility for elderly low income persons. As part of the transaction, the San Carlos Development Corporation (“SCDC”) agreed to purchase and operate the facility (San Carlos Elms). The Redevelopment Agency signed a direct borrowing Installment Purchase Agreement in the amount of \$2,800,000 to finance its purchase of the land. Payments are made out of receipts from SCDC. Interest payments on the Installment Agreement are due monthly and principal payments began on May 1, 2012 and will continue through June 1, 2035, bearing interest of 10.9%. As of June 30, 2020, the total principal and interest remaining on the debt is \$2,400,217.

**CITY OF SAN CARLOS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER  
REDEVELOPMENT AGENCY (Continued)**

**d. Tax Allocation Refunding Bonds<sup>4</sup>**

In April 2018, the Successor Agency issued \$11,840,684 of 2018 Tax Allocation Refunding Direct Placement Bonds to refinance the 2007 Series A Tax Allocation Revenue Bonds. The refunding resulted in an overall debt service decrease of \$1,833,697. The net present value of the savings resulted in an economic gain of \$1,466,261. This equates to \$1.5 million in cumulative cash flow savings through 2033, or about \$100,000 annually, which would be divided amongst the taxing entities. The 2007 Series A Tax Allocation Revenue Bonds were subsequently retired in May 2018.

The 2018 Bonds are special obligations of the Successor Agency payable solely from and secured by a pledge of Redevelopment Property Tax Trust Fund Revenues. Principal payments are payable annually on September 1 and the last principal payment is scheduled to occur in 2033. Interest payments are due semi-annually on September 1 and March 1 and bear interest of 2.85%. The pledge of future tax revenue ends upon repayment of the total 2018 bonds in the amount of \$14.8 million.

The Redevelopment Agency pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue that it receives. The bonds were issued to provide financing for various capital projects. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$13,230,329 with annual debt service requirements as included below. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved Redevelopment Agency was \$1,265,469 and the debt service obligation on the bonds was \$948,583.

**e. Debt Service Requirements**

The following schedule illustrates the debt service requirements to maturity for the debt outstanding as of June 30, 2020:

For the Year Ending June 30	Direct Placement Tax Allocation Refunding Bonds			Direct Borrowing Installment Purchase Agreement		
	Principal	Interest	Total	Principal	Interest	Total
	2021	\$ 643,860	\$ 301,818	\$ 945,678	\$ 74,657	\$ 230,743
2022	662,985	283,196	946,181	82,270	223,130	305,400
2023	681,593	264,036	945,629	90,660	214,740	305,400
2024	703,118	244,304	947,422	99,905	205,495	305,400
2025	723,907	223,969	947,876	110,093	195,307	305,400
2026-2030	3,933,754	794,246	4,728,000	743,589	783,411	1,527,000
2031-2035	3,562,835	206,708	3,769,543	1,199,043	318,640	1,517,683
<b>Total</b>	<b>\$ 10,912,052</b>	<b>\$ 2,318,277</b>	<b>\$ 13,230,329</b>	<b>\$ 2,400,217</b>	<b>\$ 2,171,466</b>	<b>\$ 4,571,683</b>

**CITY OF SAN CARLOS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER  
REDEVELOPMENT AGENCY (Continued)**

**f. Commitments and Contingent Liabilities**

The Successor Agency is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is no pending litigation that is likely to have a material adverse effect on the financial position of the Successor Agency.

This Page Left Intentionally Blank

**REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**CALPERS COST SHARING PLAN  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Measurement Dates:	Miscellaneous					
	6/30/14	6/30/15	6/30/16	6/30/17	6/30/2018	6/30/2019
Plan's proportion of the Net Pension Liability (Asset)	0.22%	0.25%	0.23%	0.23%	0.18%	0.18%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,765,793	\$ 16,833,679	\$ 20,234,806	\$ 22,834,231	\$ 17,011,933	\$ 18,386,126
Plan's Covered Payroll	6,254,350	6,577,443	7,079,214	7,389,579	7,885,229	8,586,940
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	220%	256%	286%	309%	216%	214%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.29%	72.85%	68.77%	68.08%	76.94%	76.26%

Measurement Dates:	Safety					
	6/30/14	6/30/15	6/30/16	6/30/2017	6/30/2018	6/30/2019
Plan's proportion of the Net Pension Liability (Asset)	0.22%	0.23%	0.21%	0.20%	0.20%	0.20%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,974,817	\$ 15,579,631	\$ 17,790,912	\$ 19,520,586	\$ 19,398,821	\$ 20,128,984
Plan's Covered Payroll	2,225,546	114,534	119,583	53,322	103,515	125,858
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	628%	13603%	14877%	36609%	18740%	15993%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	73.42%	69.92%	66.12%	64.49%	65.22%	65.05%

**Notes to Schedule:**

**Benefit Changes:** There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes).

**Changes in assumptions:** In 2020, there were no changes in the discount rate

\* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CALPERS COST SHARING PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Fiscal year ended	Miscellaneous					
	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 1,261,404	\$ 1,102,597	\$ 670,838	\$ 6,926,132	\$ 1,799,956	\$ 9,110,376
Contributions in relation to the actuarially determined contributions	(1,261,404)	(1,102,597)	(670,838)	(6,926,132)	(1,799,956)	(9,110,376)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,254,350	\$ 6,577,443	\$ 7,079,214	\$ 7,389,579	\$ 7,885,229	\$ 8,586,940
Contributions as a percentage of covered payroll	20.17%	16.76%	9.48%	93.73%	22.83%	106.10%

Fiscal year ended	Safety					
	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 1,034,659	\$ 1,169,706	\$ 1,112,696	\$ 1,255,290	\$ 1,456,904	\$ 1,676,149
Contributions in relation to the actuarially determined contributions	(1,034,659)	(1,169,706)	(1,112,696)	(1,255,290)	(1,456,904)	(1,676,149)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,225,546	\$ 114,534	\$ 119,583	\$ 53,322	\$ 103,515	\$ 125,858
Contributions as a percentage of covered payroll	46.49%	1021%	930%	2354%	1407%	1332%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 Years as of the Valuation Date
Asset valuation method	Market Value of Assets
Discount Rate	7.15%
Inflation	2.50%
Salary increases	Annual increase vary by category, entry age and duration of service
Retirement age	50 and up

\* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PARS LONGEVITY RECOGNITION PLAN  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Measurement Date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
<b>Total Pension Liability</b>						
Service Cost	Not available	\$ 239,822	\$ 225,433	\$ 229,629	\$ 168,032	\$ 173,493
Interest	Not available	455,847	470,045	478,414	585,709	608,083
Changes of assumptions	Not available	-	802,583	(2,369,059)	-	(36,873)
Differences due to plan experience	Not available	-	-	1,055,691	-	(2,151)
Benefit payments	Not available	(261,805)	(299,652)	(333,528)	(359,186)	(413,387)
<b>Net change in total pension liability</b>	Not available	433,864	1,198,409	(938,853)	394,555	329,165
<b>Total pension liability - beginning</b>	Not available	9,079,950	9,513,814	10,712,223	9,773,370	10,167,925
<b>Total pension liability - ending (a)</b>	9,079,950	9,513,814	10,712,223	9,773,370	10,167,925	10,497,090
<b>Plan fiduciary net position</b>						
Contributions - employer	311,000	328,200	350,000	452,000	1,520,000	459,000
Net investment income	141,262	29,190	15,848	128,999	116,751	183,313
Administrative expenses	-	(373)	(394)	(455)	(2,367)	(549)
Benefit payments	(208,839)	(261,805)	(299,652)	(333,528)	(359,186)	(413,387)
<b>Net change in plan fiduciary net position</b>	243,423	95,212	65,802	247,016	1,275,198	228,377
<b>Plan fiduciary net position - beginning</b>	1,324,507	1,567,930	1,663,142	1,728,944	1,975,960	3,251,158
<b>Plan fiduciary net position - ending (b)</b>	1,567,930	1,663,142	1,728,944	1,975,960	3,251,158	3,479,535
Net pension liability - ending (a)-(b)	<u>\$ 7,512,020</u>	<u>\$ 7,850,672</u>	<u>\$ 8,983,279</u>	<u>\$ 7,797,410</u>	<u>\$ 6,916,767</u>	<u>\$ 7,017,555</u>
Plan fiduciary net position as a percentage of the total pension liability	17.27%	17.48%	16.14%	20.22%	31.97%	33.15%
Covered employee payroll <sup>1</sup>	\$ 4,751,000	\$ 3,794,000	\$ 3,848,632	\$ 3,726,133	\$ 3,451,329	\$ 3,492,842
Net pension liability as percentage of covered employee payroll	158.11%	206.92%	233.41%	209.26%	200.41%	200.91%

**Notes to Schedule:**

<sup>1</sup> Covered employee payroll as of June 30, 2015 only reflects 36 of 43 active employees.

\* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
---

**PARS LONGEVITY RECOGNITION PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Fiscal year ended	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	Not available	\$ 765,384	\$ 834,000	\$ 857,928	\$ 795,117	\$ 640,965
Contributions in relation to the actuarially determined contributions	Not available	(350,000)	(452,000)	(1,520,000)	(459,000)	(617,300)
Contribution deficiency (excess)	Not available	\$ 415,384	\$ 382,000	\$ (662,072)	\$ 336,117	\$ 23,665
 Covered employee payroll	 Not available	 \$ 3,794,000	 \$ 3,848,632	 \$ 3,726,133	 \$ 3,492,842	 \$ 3,274,152
 Contributions as a percentage of covered employee payroll	 Not available	 9.23%	 11.74%	 40.79%	 13.14%	 18.85%

**Notes to Schedule**

Valuation Date:	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level dollar
Amortization Period	Closed 30 years
Asset Valuation Method	Market value
Discount Rate	6.00%
Inflation	2.50%
Annual Salary Increases	3.00%
Investment Rate of Return	6.0% net of investment expenses.
Mortality	CalPERS 2017 Experience Study
Mortality Improvement	MacLeoad Watts Scale 2020 (generational)

\* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Measurement Date	6/30/2017	6/30/2018	6/30/2019
<b>Total OPEB Liability</b>			
Service Cost	\$ 99,800	\$ 103,043	\$ 112,103
Interest	372,359	378,808	377,356
Differences between expected and actual experience	-	-	(791,845)
Benefit payments	(350,018)	(416,540)	(430,477)
Changes of assumptions	-	153,245	(192,646)
<b>Net change in total OPEB liability</b>	122,141	218,556	(925,509)
<b>Total OPEB liability - beginning</b>	5,394,624	5,516,765	5,735,321
<b>Total OPEB liability - ending (a)</b>	<u>\$ 5,516,765</u>	<u>\$ 5,735,321</u>	<u>\$ 4,809,812</u>
<b>OPEB fiduciary net position</b>			
Contributions - employer	\$ 470,037	\$ 1,502,744	\$ 575,870
Net investment income	127,483	117,747	162,210
Administrative expense	(656)	(904)	(578)
Other expenses	-	(2,011)	-
Benefit payments	(350,018)	(416,540)	(430,477)
<b>Net change in plan fiduciary net position</b>	246,846	1,201,036	307,025
<b>Plan fiduciary net position - beginning</b>	1,273,705	1,520,551	2,721,587
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 1,520,551</u>	<u>\$ 2,721,587</u>	<u>\$ 3,028,612</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 3,996,214</u>	<u>\$ 3,013,734</u>	<u>\$ 1,781,200</u>
Covered employee payroll	\$ 7,198,797	\$ 7,720,689	\$ 8,235,888
Total OPEB liability as a percentage of covered payroll	55.51%	39.03%	21.63%

\* Fiscal year 2018 was the first year of implementation of GASB 75

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
---

**OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	2018	2019	2020
Actuarially Determined Contribution (ADC)	\$ 471,538	\$ 373,834	\$ 289,800
<b>Less:</b> Contributions in Relation to the ADC	1,502,744	575,870	476,115
Contribution deficiency (excess)	\$ (1,031,206)	\$ (202,036)	\$ (186,315)
Covered employee payroll	\$ 7,198,797	\$ 8,235,888	\$ 8,951,213
Contributions as a percentage of Covered employee payroll	20.87%	6.99%	5.32%

**Notes to Schedule:**

\* Fiscal year 2018 was the first year of implementation.

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar
Amortization Period	Closed 20 years
Asset Valuation Method	Market value
Inflation	2.50%
Healthcare Trend Rates	5.4% in 2021, fluctuates until ultimate rate of 4% in 2076
Salary Increases	3.00%
Investment Rate of Return	6.25%
Retirement Age	Ages 50 to 75
Mortality	CalPERS 2017 Experience Study
Mortality Improvement	MacLeod Watts Scale 2020

This Page Left Intentionally Blank

**SUPPLEMENTARY INFORMATION**

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 700,000	\$ 700,000	\$ 2,095,828	\$ 1,395,828
Franchise taxes	2,200,000	2,200,000	2,178,179	(21,821)
Licenses and permits	420,000	420,000	375,909	(44,091)
From other agencies	22,966,474	22,966,474	867,045	(22,099,429)
Use of money and property	-	-	109,419	109,419
Other revenue	261,340	261,340	233,419	(27,921)
<b>Total Revenues</b>	<b>26,547,814</b>	<b>26,547,814</b>	<b>5,859,799</b>	<b>(20,688,015)</b>
<b>Expenditures:</b>				
Capital outlay	45,334,450	46,150,451	8,599,943	37,550,508
<b>Total Expenditures</b>	<b>45,334,450</b>	<b>46,150,451</b>	<b>8,599,943</b>	<b>37,550,508</b>
Excess (Deficiency) of Revenues Over Expenditures	(18,786,636)	(19,602,637)	(2,740,144)	16,862,493
<b>Other Financing Sources (Uses):</b>				
Transfers in	500,000	2,200,000	2,200,000	-
Transfers (out)	(125,000)	(451,000)	(451,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>375,000</b>	<b>1,749,000</b>	<b>1,749,000</b>	<b>-</b>
Net Change in Fund Balance	<u>\$ (18,411,636)</u>	<u>\$ (17,853,637)</u>	(991,144)	<u>\$ 16,862,493</u>
Beginning Fund Balance			29,151,578	
<b>Ending Fund Balance</b>			<u><b>\$ 28,160,434</b></u>	



CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
HOUSING CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget Amounts</u>			<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Use of money and property	\$ 58,400	\$ 58,400	\$ 398,866	\$ 340,466
Other revenue	3,806,200	3,806,200	4,141,222	335,022
<b>Total Revenues</b>	<b>3,864,600</b>	<b>3,864,600</b>	<b>4,540,088</b>	<b>675,488</b>
<b>Expenditures:</b>				
Community development	4,176,899	4,338,899	3,102,753	1,236,146
Capital outlay	896,890	7,196,890	4,023,714	3,173,176
<b>Total Expenditures</b>	<b>5,073,789</b>	<b>11,535,789</b>	<b>7,126,467</b>	<b>4,409,322</b>
Excess (Deficiency) of Revenues Over Expenditures	(1,209,189)	(7,671,189)	(2,586,379)	5,084,810
<b>Other Financing Sources (Uses):</b>				
Contributions from Successor Agency	-	-	1,138,388	1,138,388
Transfers in	-	326,000	326,000	-
Net Change in Fund Balance	<u>\$ (1,209,189)</u>	<u>\$ (7,345,189)</u>	<u>\$ (1,121,991)</u>	<u>\$ 6,223,198</u>
Beginning Fund Balance			15,039,440	
<b>Ending Fund Balance</b>			<b><u>\$ 13,917,449</u></b>	

This Page Left Intentionally Blank

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**NPDES FUND:** Used to account for revenues received from assessments levied by the County on property and disburses funds in compliance with the provisions of the National Pollutant Discharge Elimination System.

**POLICE GRANTS FUND:** Used to account for grant activities and services paid for and reimbursed by grant funding. This fund includes grants from the following funding sources:

- **Supplemental Law Enforcement Services Funds (SLESF):** Under the SLESF program, cities and counties receive State funds to augment public safety expenditures.

**SAN CARLOS LIBRARY TENANT FUND:** Used to account for the San Carlos Library tenant activities.

### CAPITAL PROJECTS FUNDS

**EQUIPMENT REPLACEMENT FUND:** Used to account for the anticipated replacement of general equipment needs.

**MEASURE A AND MEASURE W FUND:** Used to account for the City's share of a one-half cent sales tax restricted for transportation purposes. Additional resources for road improvements, local street repairs raised from a half-cent sales tax for 30 years. The Measure W went into effect in July of 2019.

**GAS TAX FUNDS:** Used to account for revenue received from highway users tax and expended under the State of California, Streets and Highways Code Section 2103, 2015, 2107 and 2107.5. Senate Bill (SB) 1, the Road Repair and Accountability Act of 2017 provides funding for local streets and roads over the next 10 years. Measure M approved in 2010 provides funding for local streets and roads for 25 years. These revenues must be expended for maintenance or construction of streets.

**PARK FEE FUND:** Used to account for development fees collected and used to finance the acquisition and construction of City parks.

**PARKING IN-LIEU FUND:** Used to account for fees charged to business in lieu of required parking. These revenues are used to pay for parking lot improvements and repairs.

### DEBT SERVICE FUND

**SAN CARLOS LIBRARY BONDS DEBT SERVICE FUND:** Used to accumulate the annual tax levies earmarked for payment of principal and interest on the General Obligation Bonds.

CITY OF SAN CARLOS

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020

	Special Revenue Funds			Capital Projects Fund
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement
<b>Assets:</b>				
Cash and investments	\$ 556,521	\$ 342,929	\$ 1,773,630	\$ 3,550,613
Receivables:				
Accounts receivable	-	-	11,456	-
<b>Total Assets</b>	<b>\$ 556,521</b>	<b>\$ 342,929</b>	<b>\$ 1,785,086</b>	<b>\$ 3,550,613</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 11,503	\$ -	\$ 12,032	\$ 53,308
<b>Total Liabilities</b>	<b>11,503</b>	<b>-</b>	<b>12,032</b>	<b>53,308</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	11,178	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>11,178</b>	<b>-</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Public safety	-	342,929	-	-
Parks and recreation	-	-	-	-
Public works	545,018	-	-	-
Debt service	-	-	-	-
<b>Committed to:</b>				
General government	-	-	1,761,876	-
Community development	-	-	-	-
Capital projects	-	-	-	3,497,305
<b>Total Fund Balances</b>	<b>545,018</b>	<b>342,929</b>	<b>1,761,876</b>	<b>3,497,305</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 556,521</b>	<b>\$ 342,929</b>	<b>\$ 1,785,086</b>	<b>\$ 3,550,613</b>

CITY OF SAN CARLOS

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<b>Capital Projects Funds</b>			
	<b>Measure A and Measure W</b>	<b>Gas Tax</b>	<b>Park Fee</b>	<b>Parking In-Lieu</b>
<b>Assets:</b>				
Cash and investments	\$ 966,675	\$ 1,201,740	\$ 2,206,124	\$ 328,438
Receivables:				
Accounts receivable	40,647	66,265	-	-
<b>Total Assets</b>	<b>\$ 1,007,322</b>	<b>\$ 1,268,005</b>	<b>\$ 2,206,124</b>	<b>\$ 328,438</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 116,667	\$ -	\$ 2,990
<b>Total Liabilities</b>	<b>-</b>	<b>116,667</b>	<b>-</b>	<b>2,990</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	29,023	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>29,023</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	-	-
Parks and recreation	-	-	2,206,124	-
Public works	1,007,322	1,122,315	-	-
Debt service	-	-	-	-
<b>Committed to:</b>				
General government	-	-	-	-
Community development	-	-	-	325,448
Capital projects	-	-	-	-
<b>Total Fund Balances</b>	<b>1,007,322</b>	<b>1,122,315</b>	<b>2,206,124</b>	<b>325,448</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,007,322</b>	<b>\$ 1,268,005</b>	<b>\$ 2,206,124</b>	<b>\$ 328,438</b>

CITY OF SAN CARLOS

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>San Carlos Library Bonds</u>	
<b>Assets:</b>		
Cash and investments	\$ 1,020,951	\$11,947,621
Receivables:		
Accounts receivable	-	118,368
<b>Total Assets</b>	<b><u>\$ 1,020,951</u></b>	<b><u>\$ 12,065,989</u></b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ -	\$ 196,500
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>196,500</u></b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue	-	40,201
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>40,201</u></b>
<b>Fund balances:</b>		
<b>Restricted for:</b>		
Public safety	-	342,929
Parks and recreation	-	2,206,124
Public works	-	2,674,655
Debt service	1,020,951	1,020,951
<b>Committed to:</b>		
General government	-	1,761,876
Community development	-	325,448
Capital projects	-	3,497,305
<b>Total Fund Balances</b>	<b><u>1,020,951</u></b>	<b><u>11,829,288</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 1,020,951</u></b>	<b><u>\$ 12,065,989</u></b>

This Page Left Intentionally Blank

CITY OF SAN CARLOS

COMBINING STATEMENT OF REVENUES  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds			Capital Projects Funds
	NPDES	Police Grants	San Carlos Library Tenant	Equipment Replacement
<b>Revenues:</b>				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	-	-	-
From other agencies	528,693	155,948	-	-
Charges for current services	-	-	-	-
Use of money and property	15,073	9,315	289,590	-
Other revenue	167,545	-	60,639	-
<b>Total Revenues</b>	<b>711,311</b>	<b>165,263</b>	<b>350,229</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	333,477	-
Community development	-	-	-	-
Public safety	-	100,000	-	-
Public works	656,297	-	-	-
Capital outlay	-	-	-	210,955
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>656,297</b>	<b>100,000</b>	<b>333,477</b>	<b>210,955</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	55,014	65,263	16,752	(210,955)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	649,300
Transfers (out)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>649,300</b>
Net Change in Fund Balances	55,014	65,263	16,752	438,345
Fund Balances, Beginning of Year	490,004	277,666	1,745,124	3,058,960
<b>Fund Balances, End of Year</b>	<b>\$ 545,018</b>	<b>\$ 342,929</b>	<b>\$ 1,761,876</b>	<b>\$ 3,497,305</b>



CITY OF SAN CARLOS

**COMBINING STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Capital Projects Funds</b>			
	<b>Measure A and Measure W</b>	<b>Gas Tax</b>	<b>Park Fee</b>	<b>Parking In-Lieu</b>
<b>Revenues:</b>				
Sales taxes	\$ 1,272,308	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Licenses and permits	-	12,085	-	2,955
From other agencies	-	1,451,765	-	-
Charges for current services	-	4,501	-	-
Use of money and property	26,217	32,274	59,926	9,282
Other revenue	-	-	268,900	143,488
<b>Total Revenues</b>	<b>1,298,525</b>	<b>1,500,625</b>	<b>328,826</b>	<b>155,725</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	2,990
Public safety	-	-	-	-
Public works	90,327	506,200	-	-
Capital outlay	-	2,224,188	89,807	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>90,327</b>	<b>2,730,388</b>	<b>89,807</b>	<b>2,990</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,208,198</b>	<b>(1,229,763)</b>	<b>239,019</b>	<b>152,735</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	975,000	-	-
Transfers (out)	(850,000)	-	(1,200,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(850,000)</b>	<b>975,000</b>	<b>(1,200,000)</b>	<b>-</b>
Net Change in Fund Balances	358,198	(254,763)	(960,981)	152,735
Fund Balances, Beginning of Year	649,124	1,377,078	3,167,105	172,713
<b>Fund Balances, End of Year</b>	<b>\$ 1,007,322</b>	<b>\$ 1,122,315</b>	<b>\$ 2,206,124</b>	<b>\$ 325,448</b>

CITY OF SAN CARLOS

COMBINING STATEMENT OF REVENUES  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>San Carlos Library Bonds</u>	
<b>Revenues:</b>		
Sales taxes	\$ -	\$ 1,272,308
Property taxes	431,502	431,502
Licenses and permits	-	15,040
From other agencies	-	2,136,406
Charges for current services	-	4,501
Use of money and property	27,663	469,340
Other revenue	-	640,572
	<u>459,165</u>	<u>4,969,669</u>
<b>Total Revenues</b>	<b>459,165</b>	<b>4,969,669</b>
<b>Expenditures:</b>		
Current:		
General government	-	333,477
Community development	-	2,990
Public safety	-	100,000
Public works	-	1,252,824
Capital outlay	-	2,524,950
Debt service:		
Principal	320,000	320,000
Interest and fiscal charges	74,285	74,285
	<u>394,285</u>	<u>4,608,526</u>
<b>Total Expenditures</b>	<b>394,285</b>	<b>4,608,526</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>64,880</u>	<u>361,143</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	-	1,624,300
Transfers (out)	-	(2,050,000)
	<u>-</u>	<u>(425,700)</u>
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(425,700)</b>
Net Change in Fund Balances	64,880	(64,557)
Fund Balances, Beginning of Year	<u>956,071</u>	<u>11,893,845</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 1,020,951</u></b>	<b><u>\$ 11,829,288</u></b>

CITY OF SAN CARLOS

BUDGETARY COMPARISON SCHEDULE  
 NPDES  
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
From other agencies	\$ 527,600	\$ 528,693	\$ 1,093
Use of money and property	-	15,073	15,073
Other revenue	151,900	167,545	15,645
<b>Total Revenues</b>	<b>679,500</b>	<b>711,311</b>	<b>31,811</b>
<b>Expenditures:</b>			
Public works	679,700	656,297	23,403
<b>Total Expenditures</b>	<b>679,700</b>	<b>656,297</b>	<b>23,403</b>
Net Change in Fund Balance	<u>\$ (200)</u>	55,014	<u>\$ 55,214</u>
Beginning Fund Balance		490,004	
<b>Ending Fund Balance</b>		<b><u>\$ 545,018</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
POLICE GRANTS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
From other agencies	\$ 108,200	\$ 155,948	\$ 47,748
Use of money and property	-	9,315	9,315
<b>Total Revenues</b>	<b>108,200</b>	<b>165,263</b>	<b>57,063</b>
<b>Expenditures:</b>			
Public safety	100,000	100,000	-
<b>Total Expenditures</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>			
Transfers out	-	-	-
Net Change in Fund Balance	<u>\$ 8,200</u>	65,263	<u>\$ 57,063</u>
Beginning Fund Balance		<u>277,666</u>	
<b>Ending Fund Balance</b>		<b><u>\$ 342,929</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
 SAN CARLOS LIBRARY TENANT  
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Use of money and property	\$ 246,300	\$ 289,590	\$ 43,290
Other revenues	45,200	60,639	15,439
<b>Total Revenues</b>	<b>291,500</b>	<b>350,229</b>	<b>58,729</b>
<b>Expenditures:</b>			
General government	530,456	333,477	196,979
<b>Total Expenditures</b>	<b>530,456</b>	<b>333,477</b>	<b>196,979</b>
Net Change in Fund Balance	<u>\$ (238,956)</u>	16,752	<u>\$ 255,708</u>
Beginning Fund Balance		<u>1,745,124</u>	
<b>Ending Fund Balance</b>		<b><u>\$ 1,761,876</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
EQUIPMENT REPLACEMENT  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
<b>Expenditures:</b>			
Capital outlay	\$ 717,743	\$ 210,955	\$ 506,788
<b>Total Expenditures</b>	<b>717,743</b>	<b>210,955</b>	<b>506,788</b>
Excess (Deficiency) of Revenues Over Expenditures	(717,743)	(210,955)	506,788
<b>Other Financing Sources (Uses):</b>			
Transfers in	649,300	649,300	-
Net Change in Fund Balance	<u>\$ (68,443)</u>	438,345	<u>\$ 506,788</u>
Beginning Fund Balance		<u>3,058,960</u>	
<b>Ending Fund Balance</b>		<b><u>\$ 3,497,305</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
MEASURE A AND MEASURE W  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Sales taxes	\$ 1,115,000	\$ 1,272,308	\$ 157,308
Use of money and property	-	26,217	26,217
<b>Total Revenues</b>	<b><u>1,115,000</u></b>	<b><u>1,298,525</u></b>	<b><u>183,525</u></b>
<b>Expenditures:</b>			
Public works	123,100	90,327	32,773
<b>Total Expenditures</b>	<b><u>123,100</u></b>	<b><u>90,327</u></b>	<b><u>32,773</u></b>
Excess (Deficiency) of Revenues Over Expenditures	991,900	1,208,198	216,298
<b>Other Financing Sources (Uses):</b>			
Transfers (out)	(850,000)	(850,000)	-
Net Change in Fund Balance	<u>\$ 141,900</u>	358,198	<u>\$ 216,298</u>
Beginning Fund Balance		649,124	
<b>Ending Fund Balance</b>		<b><u>\$ 1,007,322</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Licenses and permits	\$ 20,700	\$ 12,085	\$ (8,615)
Charges for current services	6,000	4,501	(1,499)
From other agencies	2,140,000	1,451,765	(688,235)
Use of money and property	-	32,274	32,274
<b>Total Revenues</b>	<b><u>2,166,700</u></b>	<b><u>1,500,625</u></b>	<b><u>(666,075)</u></b>
<b>Expenditures:</b>			
Public works	506,200	506,200	-
Capital outlay	3,489,762	2,224,188	1,265,574
<b>Total Expenditures</b>	<b><u>3,995,962</u></b>	<b><u>2,730,388</u></b>	<b><u>1,265,574</u></b>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,829,262)</u>	<u>(1,229,763)</u>	<u>599,499</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	975,000	975,000	-
Net Change in Fund Balance	<u>\$ (854,262)</u>	<u>(254,763)</u>	<u>\$ 599,499</u>
Beginning Fund Balance		<u>1,377,078</u>	
<b>Ending Fund Balance</b>		<b><u>\$ 1,122,315</u></b>	



CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
PARK FEE  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Use of money and property	\$ 2,100	\$ 59,926	\$ 57,826
Other revenue	326,500	268,900	(57,600)
<b>Total Revenues</b>	<b>328,600</b>	<b>328,826</b>	<b>226</b>
<b>Expenditures:</b>			
Capital outlay	1,223,928	89,807	1,134,121
<b>Total Expenditures</b>	<b>1,223,928</b>	<b>89,807</b>	<b>1,134,121</b>
Excess (Deficiency) of Revenues Over Expenditures	(895,328)	239,019	1,134,347
<b>Other Financing Sources (Uses):</b>			
Transfers (out)	(1,200,000)	(1,200,000)	-
Net Change in Fund Balance	<u>\$ (2,095,328)</u>	(960,981)	<u>\$ 1,134,347</u>
Beginning Fund Balance		3,167,105	
<b>Ending Fund Balance</b>		<b><u>\$ 2,206,124</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
PARKING IN-LIEU  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget Amount</u>		<u>Variance With Final Budget Positive (Negative)</u>
	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Licenses and permits	\$ 4,100	\$ 2,955	\$ (1,145)
Use of money and property	-	9,282	9,282
Other revenue	-	143,488	143,488
<b>Total Revenues</b>	<b>4,100</b>	<b>155,725</b>	<b>151,625</b>
<b>Expenditures:</b>			
Community development	74,800	2,990	71,810
<b>Total Expenditures</b>	<b>74,800</b>	<b>2,990</b>	<b>71,810</b>
Net Change in Fund Balance	<u>\$ (70,700)</u>	152,735	<u>\$ 223,435</u>
Beginning Fund Balance		172,713	
<b>Ending Fund Balance</b>		<b><u>\$ 325,448</u></b>	

CITY OF SAN CARLOS

**BUDGETARY COMPARISON SCHEDULE  
SAN CARLOS LIBRARY BONDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Budget Amount</b>		<b>Variance With Final Budget Positive (Negative)</b>
	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>			
Property taxes	\$ 395,900	\$ 431,502	\$ 35,602
Use of money and property	-	27,663	27,663
<b>Total Revenues</b>	<b>395,900</b>	<b>459,165</b>	<b>63,265</b>
<b>Expenditures:</b>			
Principal	320,000	320,000	-
Interest and fiscal charges	74,400	74,285	115
<b>Total Expenditures</b>	<b>394,400</b>	<b>394,285</b>	<b>115</b>
Net Change in Fund Balance	<u>\$ 1,500</u>	64,880	<u>\$ 63,380</u>
Beginning Fund Balance		956,071	
<b>Ending Fund Balance</b>		<u><b>\$ 1,020,951</b></u>	

This Page Left Intentionally Blank

## INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis. The concept of major funds does not extend to internal service funds because they do not do business with outside parties. The Statement of Activities, the net revenues or expenses of each internal service fund, is eliminated by netting them against the operations of the other City departments, which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position. However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

**WORKERS' COMPENSATION FUND:** Used to account for activities relating to Workers' Compensation claims and the premiums for coverage.

**LIABILITY INSURANCE FUND:** Used to account for activities relating to general liability claims against the City and premiums for coverage above the City's risk retention level.

**LONGEVITY BENEFITS FUND:** Used to account for activities relating to health care benefits for retired employees.

CITY OF SAN CARLOS

COMBINING STATEMENTS OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2020

	Governmental Activities - Internal Service Funds			
	Workers' Compensation	Liability Insurance	Longevity Benefits	Total
<b>Assets:</b>				
Current:				
Cash and investments	\$ 372,419	\$ 1,178,052	\$ 426,419	\$ 1,976,890
Accounts receivable	-	29,768	-	29,768
<b>Total Assets</b>	<b>\$ 372,419</b>	<b>\$ 1,207,820</b>	<b>\$ 426,419</b>	<b>\$ 2,006,658</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 353	\$ -	\$ 353
Claims payable:				
Due within one year	83,700	200,000	-	283,700
Due in more than one year	-	328,000	-	328,000
<b>Total Liabilities</b>	<b>83,700</b>	<b>528,353</b>	<b>-</b>	<b>612,053</b>
<b>Net Position:</b>				
Unrestricted	288,719	679,467	426,419	1,394,605
<b>Total Net Position</b>	<b>\$ 288,719</b>	<b>\$ 679,467</b>	<b>\$ 426,419</b>	<b>\$ 1,394,605</b>

CITY OF SAN CARLOS

**COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Workers' Compensation</b>	<b>Liability Insurance</b>	<b>Longevity Benefits</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 5,098	\$ -	\$ 973,000	\$ 978,098
Cost reimbursements	202,500	1,057,500	-	1,260,000
<b>Total Operating Revenues</b>	<b>207,598</b>	<b>1,057,500</b>	<b>973,000</b>	<b>2,238,098</b>
<b>Operating Expenses:</b>				
Insurance premiums	110,846	724,502	-	835,348
Claims expense *	(10,300)	167,828	920,100	1,077,628
Miscellaneous	8,201	46,127	-	54,328
<b>Total Operating Expenses</b>	<b>108,747</b>	<b>938,457</b>	<b>920,100</b>	<b>1,967,304</b>
Operating Income	98,851	119,043	52,900	270,794
<b>Nonoperating Revenues:</b>				
Investment income	10,108	31,910	11,784	53,802
Miscellaneous	-	59,879	-	59,879
<b>Total Nonoperating Revenues</b>	<b>10,108</b>	<b>91,789</b>	<b>11,784</b>	<b>113,681</b>
Changes in Net Position	108,959	210,832	64,684	384,475
<b>Net Position:</b>				
Beginning of Year	179,760	468,635	361,735	1,010,130
<b>End of Fiscal Year</b>	<b>\$ 288,719</b>	<b>\$ 679,467</b>	<b>\$ 426,419</b>	<b>\$ 1,394,605</b>

\* Negative claim expenses in FY2020 was due to an adjustment made to the claims payable.

CITY OF SAN CARLOS

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities - Internal Service Funds			Total
	Workers' Compensation	Liability Insurance	Longevity Benefits	
<b>Cash Flows from Operating Activities:</b>				
Receipts from other funds	\$ 207,598	\$ 1,027,732	\$ 973,000	\$ 2,208,330
Payments to suppliers	(128,582)	(780,681)	-	(909,263)
Claims paid	-	(77,828)	(920,100)	(997,928)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>79,016</b>	<b>169,223</b>	<b>52,900</b>	<b>301,139</b>
<b>Cash Flows from Investing Activities:</b>				
Interest	10,108	31,910	11,784	53,802
Miscellaneous	-	59,879	-	59,879
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>10,108</b>	<b>91,789</b>	<b>11,784</b>	<b>113,681</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>89,124</b>	<b>261,012</b>	<b>64,684</b>	<b>414,820</b>
Cash and Cash Equivalents at Beginning of Year	283,295	917,040	361,735	1,562,070
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 372,419</b>	<b>\$ 1,178,052</b>	<b>\$ 426,419</b>	<b>\$ 1,976,890</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 98,851	\$ 119,043	\$ 52,900	\$ 270,794
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>				
Change in assets and liabilities:				
Accounts receivable	-	(29,768)	-	(29,768)
Accounts payable	(9,535)	(10,052)	-	(19,587)
Claims payable	(10,300)	90,000	-	79,700
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 79,016</b>	<b>\$ 169,223</b>	<b>\$ 52,900</b>	<b>\$ 301,139</b>



## AGENCY FUNDS

Agency Funds are presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as agent for individuals, governmental entities and non-public organizations. These funds include the following:

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY (C/CAG):** Used to account for City/County Association of Governments of San Mateo County's activities. The City acts as fiscal agent for this entity.

**PENINSULA TRAFFIC CONGESTION RELIEF ALLIANCE (COMMUTE.ORG):** Used to account for the Peninsula Traffic Congestion Relief Alliance's activities. The City acts as fiscal agent for this entity.

CITY OF SAN CARLOS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
<b>City/County Association of Government of San Mateo County</b>				
<b>Assets:</b>				
Cash and investments	\$ 27,416,059	\$ 67,926,481	\$ 65,447,023	\$ 29,895,517
Receivables:				
Accounts receivable	3,171,868	7,434,039	7,665,807	2,940,100
Loan receivable	-	444,695	-	444,695
<b>Total Assets</b>	<b>\$ 30,587,927</b>	<b>\$ 75,805,215</b>	<b>\$ 73,112,830</b>	<b>\$ 33,280,312</b>
<b>Liabilities:</b>				
Accounts payable	\$ 4,859,033	\$ 16,725,507	\$ 15,821,375	\$ 5,763,165
Due to members	25,728,894	21,583,718	19,795,465	27,517,147
<b>Total Liabilities</b>	<b>\$ 30,587,927</b>	<b>\$ 38,309,225</b>	<b>\$ 35,616,840</b>	<b>\$33,280,312</b>
<b>Peninsula Traffic Congestion Relief Alliance</b>				
<b>Assets:</b>				
Cash and investments	\$ 869,374	\$ 3,887,815	\$ 3,719,971	\$ 1,037,218
Prepaid items	32,524	37,133	37,609	32,048
Grants receivable	710,280	625,596	710,281	625,595
<b>Total Assets</b>	<b>\$ 1,612,178</b>	<b>\$ 4,550,544</b>	<b>\$ 4,467,861</b>	<b>\$ 1,694,861</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 216,555	\$ 3,064,544	\$ 3,064,384	\$ 216,715
Unearned revenue	282,689	2,943	142,816	142,816
Due to members	1,112,934	4,472,322	4,249,926	1,335,330
<b>Total Liabilities</b>	<b>\$ 1,612,178</b>	<b>\$ 7,539,809</b>	<b>\$ 7,457,126</b>	<b>\$ 1,694,861</b>
<b>Total Agency Funds</b>				
<b>Assets:</b>				
Cash and investments	\$ 28,285,433	\$ 71,814,296	\$ 69,166,994	\$ 30,932,735
Prepaid items	32,524	37,133	37,609	32,048
Receivables:				
Accounts receivable	3,171,868	7,434,039	7,665,807	2,940,100
Loans receivable	-	444,695	-	444,695
Grants receivable	710,280	625,596	710,281	625,595
<b>Total Assets</b>	<b>\$ 32,200,105</b>	<b>\$ 80,355,759</b>	<b>\$ 77,580,691</b>	<b>\$ 34,975,173</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 5,075,588	\$ 19,790,051	\$ 18,885,759	\$ 5,979,880
Due to members	26,841,828	26,056,040	24,045,391	28,852,477
Unearned revenue	282,689	2,943	142,816	142,816
<b>Total Liabilities</b>	<b>\$ 32,200,105</b>	<b>\$ 45,849,034</b>	<b>\$ 43,073,966</b>	<b>\$ 34,975,173</b>

## STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### 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:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

### Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source - the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Top Ten Property Tax Payers
4. Property Tax Levies and Collections

### 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:

1. Ratio of Outstanding Debt by Type
2. Ratio of General Bonded Debt Outstanding
3. Pledged-Revenue Coverage
4. Computation of Direct and Overlapping Debt
5. Computation of Legal Bonded Debt Margin

### 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:

1. Demographic and Economic Statistics
2. Principal Employers
3. Full Time Equivalent City Employees by Function

### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Operating Indicators by Function/Program
2. Capital Asset Statistics by Function/Program

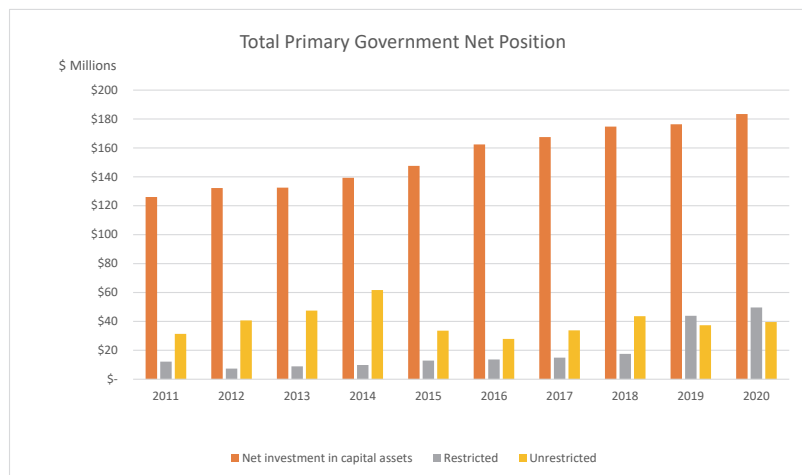
### Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

This Page Left Intentionally Blank

## Net Position by Component Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental activities</b>										
Net investment in capital assets	\$ 113,903,786	\$ 119,426,713	\$ 119,171,599	\$ 124,467,083	\$ 132,736,463	\$ 140,578,718	\$ 139,749,356	\$ 143,590,862	\$ 144,862,733	\$ 151,378,234
Restricted	12,143,894	7,322,914	8,871,235	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	21,956,488	20,162,108
Unrestricted	26,256,514	34,473,081	39,942,056	42,689,655	14,374,721	14,261,604	19,429,741	26,566,944	37,335,673	39,591,734
<b>Total governmental activities net position</b>	<b>\$ 152,304,194</b>	<b>\$ 161,222,708</b>	<b>\$ 167,984,890</b>	<b>\$ 177,016,634</b>	<b>\$ 160,015,799</b>	<b>\$ 168,474,470</b>	<b>\$ 174,092,548</b>	<b>\$ 187,710,045</b>	<b>\$ 204,154,894</b>	<b>\$ 211,132,076</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 12,133,706	\$ 12,798,962	\$ 13,337,359	\$ 14,840,080	\$ 14,855,225	\$ 21,838,351	\$ 27,740,303	\$ 31,170,136	\$ 31,475,466	\$ 32,069,977
Restricted	-	-	-	-	-	-	-	-	21,920,835	29,481,877
Unrestricted	5,117,936	6,210,876	7,556,596	19,028,996	19,212,357	13,613,839	14,360,124	17,040,516	-	-
<b>Total business-type activities net position</b>	<b>\$ 17,251,642</b>	<b>\$ 19,009,838</b>	<b>\$ 20,893,955</b>	<b>\$ 33,869,076</b>	<b>\$ 34,067,582</b>	<b>\$ 35,452,190</b>	<b>\$ 42,100,427</b>	<b>\$ 48,210,652</b>	<b>\$ 53,396,301</b>	<b>\$ 61,551,854</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 126,037,492	\$ 132,225,675	\$ 132,508,958	\$ 139,307,163	\$ 147,591,688	\$ 162,417,069	\$ 167,489,659	\$ 174,760,998	\$ 176,338,199	\$ 183,448,211
Restricted	12,143,894	7,322,914	8,871,235	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	43,877,323	49,643,985
Unrestricted	31,374,450	40,683,957	47,498,652	61,718,651	33,587,078	27,875,443	33,789,865	43,607,460	37,335,673	39,591,734
<b>Total primary government net position</b>	<b>\$ 169,555,836</b>	<b>\$ 180,232,546</b>	<b>\$ 188,878,845</b>	<b>\$ 210,885,710</b>	<b>\$ 194,083,381</b>	<b>\$ 203,926,660</b>	<b>\$ 216,192,975</b>	<b>\$ 235,920,697</b>	<b>\$ 257,551,195</b>	<b>\$ 272,683,930</b>



## Changes in Net Position

Last Ten Fiscal Years

	2011	2012	2013	2014
<b>Expenses</b>				
Governmental Activities:				
General Government	\$ 3,950,781	\$ 5,663,863	\$ 6,475,824	\$ 5,321,121
Public Safety	15,074,068	13,449,771	14,574,275	15,592,529
Public Works	1,945,532	2,493,488	2,687,707	8,255,888
Community Development	3,611,267	4,081,250	2,766,720	2,991,374
Parks and Recreation	3,707,647	4,018,025	4,117,692	3,043,648
Interest on Long Term Debt	1,565,337	608,784	264,260	276,859
<b>Total Governmental Activities Expenses</b>	<b>29,854,632</b>	<b>30,315,181</b>	<b>30,886,478</b>	<b>35,481,419</b>
Business-Type Activities:				
Sewer	7,314,132	7,887,064	7,874,008	8,320,370
<b>Total Business-Type Activities Expenses</b>	<b>7,314,132</b>	<b>7,887,064</b>	<b>7,874,008</b>	<b>8,320,370</b>
<b>Total Primary Government Expenses</b>	<b>\$ 37,168,764</b>	<b>\$ 38,202,245</b>	<b>\$ 38,760,486</b>	<b>\$ 43,801,789</b>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Government	\$ 1,348,137	\$ 1,027,189	\$ 1,074,928	\$ 1,071,289
Public Safety	468,078	515,745	505,948	527,366
Public Works	626,538	2,230,306	597,220	1,201,650
Community Development	1,909,598	2,125,361	2,017,110	2,625,860
Parks and Recreation	1,722,864	1,951,859	2,122,207	2,206,374
Operating Grants and Contributions	1,621,920	1,257,912	1,591,002	1,942,020
Capital Grants and Contributions	594,081	1,054,103	1,070,551	4,907,492
<b>Total Government Activities Program Revenues</b>	<b>8,291,216</b>	<b>10,162,475</b>	<b>8,978,966</b>	<b>14,482,051</b>
Business-Type Activities:				
Charges for Services:				
Sewer	8,993,614	10,195,074	10,222,616	12,685,252
<b>Total Business-Type Activities Program Revenue</b>	<b>8,993,614</b>	<b>10,195,074</b>	<b>10,222,616</b>	<b>12,685,252</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 17,284,830</b>	<b>\$ 20,357,549</b>	<b>\$ 19,201,582</b>	<b>\$ 27,167,303</b>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (21,563,416)	\$ (20,152,706)	\$ (21,907,512)	\$ (20,999,368)
Business-Type Activities	1,679,482	2,308,010	2,348,608	4,364,882
<b>Total Primary Government Net Expense</b>	<b>\$ (19,883,934)</b>	<b>\$ (17,844,696)</b>	<b>\$ (19,558,904)</b>	<b>\$ (16,634,486)</b>

	2015	2016	2017	2018	2019	2020
\$	5,189,609	\$ 6,017,538	\$ 6,329,346	\$ 10,536,582	\$ 6,380,239	\$ 14,340,628
	16,069,651	17,430,558	18,375,585	19,030,927	20,312,716	21,394,936
	9,167,760	8,266,278	7,978,435	9,153,462	9,228,138	12,497,686
	3,272,803	4,096,699	4,700,675	3,916,838	4,573,922	6,972,347
	3,203,949	2,367,444	3,858,835	3,127,329	3,887,509	3,028,761
	334,808	268,810	81,837	73,925	65,287	55,762
	37,238,580	38,447,327	41,324,713	45,839,063	44,447,811	58,290,120
	11,882,000	14,067,910	9,663,209	10,604,504	12,864,967	11,835,352
	11,882,000	14,067,910	9,663,209	10,604,504	12,864,967	11,835,352
\$	49,120,580	\$ 52,515,237	\$ 50,987,922	\$ 56,443,567	\$ 57,312,778	\$ 70,125,472
\$	1,749,186	\$ 1,258,805	\$ 1,297,282	\$ 1,323,703	\$ 1,373,465	\$ 1,325,656
	560,303	518,876	618,102	522,690	671,586	600,031
	769,083	2,222,932	1,502,215	3,419,090	1,944,495	1,769,924
	3,227,818	4,359,416	3,618,051	4,075,435	3,479,906	3,747,032
	1,710,865	1,499,342	1,630,102	1,576,562	1,555,971	1,248,126
	1,718,123	1,717,004	2,093,580	4,864,283	4,625,477	6,190,174
	4,882,958	4,295,854	2,416,816	973,726	1,495,483	3,793,984
	14,618,336	15,872,229	13,176,148	16,755,489	15,146,383	18,674,927
	15,335,342	16,798,299	16,793,613	17,487,381	18,294,560	19,955,871
	15,335,342	16,798,299	16,793,613	17,487,381	18,294,560	19,955,871
\$	29,953,678	\$ 32,670,528	\$ 29,969,761	\$ 34,242,870	\$ 33,440,943	\$ 38,630,798
\$	(22,620,244)	\$ (22,575,098)	\$ (28,148,565)	\$ (29,083,574)	\$ (29,301,428)	\$ (39,615,193)
	3,453,342	2,730,389	7,130,404	6,882,877	5,429,593	8,120,519
\$	(19,166,902)	\$ (19,844,709)	\$ (21,018,161)	\$ (22,200,697)	\$ (23,871,835)	\$ (31,494,674)

(Continued)

## Changes in Net Position

Last Ten Fiscal Years

(Continued)

	2011	2012	2013	2014
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 14,414,923	\$ 12,615,467	\$ 11,231,717	\$ 12,907,307
Sales Taxes	5,752,468	5,870,214	6,427,400	7,287,136
Motor Vehicle In-Lieu	2,315,671	2,205,159	2,155,983	2,438,078
Transient Occupancy Tax	815,197	943,513	1,120,864	1,270,072
Nonregulatory Franchise and Business	2,916,896	3,000,857	3,240,864	3,351,838
Use of money and property	1,190,048	1,443,720	1,552,992	1,918,054
Loss on sale of capital assets	-	-	-	-
Other	853,307	818,682	2,429,847	686,427
Transfers	584,600	595,000	510,000	172,200
Special item	-	-	-	-
Extraordinary gain/(loss) on dissolution of RDA	-	2,184,427	-	-
<b>Total Government Activities</b>	<b>28,843,110</b>	<b>29,677,039</b>	<b>28,669,667</b>	<b>30,031,112</b>
Business-Type Activities:				
Use of money and property	36,925	45,186	45,509	91,110
Miscellaneous Revenues	-	-	-	32,358
Transfers	(584,600)	(595,000)	(510,000)	(172,200)
<b>Total Business-Type Activities</b>	<b>(547,675)</b>	<b>(549,814)</b>	<b>(464,491)</b>	<b>(48,732)</b>
<b>Total Primary Government</b>	<b>\$ 28,295,435</b>	<b>\$ 29,127,225</b>	<b>\$ 28,205,176</b>	<b>\$ 29,982,380</b>
<b>Change in Net Position</b>				
Governmental Activities	\$ 7,279,694	\$ 9,524,333	\$ 6,762,155	\$ 9,031,744
Business-Type Activities	1,131,807	1,758,196	1,884,117	4,316,150
<b>Total Primary Government</b>	<b>\$ 8,411,501</b>	<b>\$ 11,282,529</b>	<b>\$ 8,646,272</b>	<b>\$ 13,347,894</b>

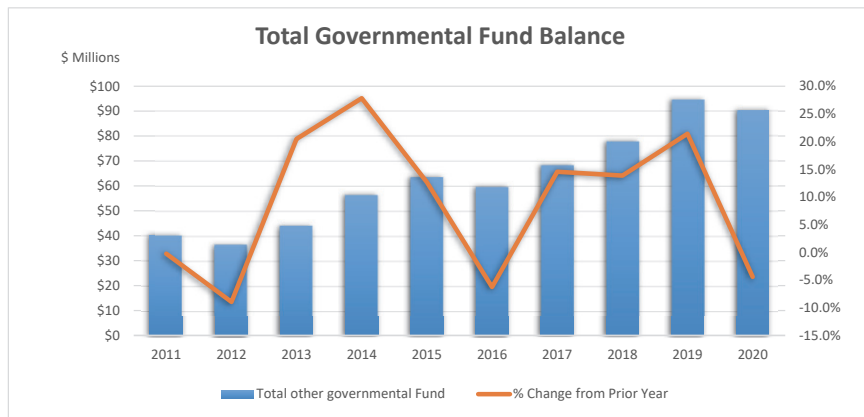


	2015	2016	2017	2018	2019	2020
\$	11,295,391	\$ 12,117,407	\$ 12,867,544	\$ 13,777,611	\$ 16,025,098	\$ 16,865,800
	9,882,460	10,708,021	11,574,662	12,716,614	12,931,123	12,638,700
	2,515,600	2,744,676	2,933,877	3,202,810	3,563,988	3,602,983
	1,396,732	1,578,740	1,570,815	1,655,658	3,123,042	2,461,423
	3,437,742	3,552,639	3,792,976	3,962,800	4,121,311	4,180,156
	2,330,545	3,147,860	2,271,719	2,782,096	4,507,003	5,331,720
	-	-	(2,686,318)	-	-	-
	708,552	1,284,689	867,468	1,307,380	877,612	902,593
	591,000	562,600	573,900	457,400	597,100	609,000
	-	-	-	6,000,000	-	-
	2,172,017	-	-	-	-	-
	34,330,039	35,696,632	33,766,643	45,862,369	45,746,277	46,592,375
	77,276	109,244	91,733	199,087	353,156	644,034
	26,973	-	-	-	-	-
	(591,000)	(562,600)	(573,900)	(457,400)	(597,100)	(609,000)
	(486,751)	(453,356)	(482,167)	(258,313)	(243,944)	35,034
\$	33,843,288	\$ 35,243,276	\$ 33,284,476	\$ 45,604,056	\$ 45,502,333	\$ 46,627,409
\$	11,709,795	\$ 13,121,534	\$ 5,618,078	\$ 16,778,795	\$ 16,444,849	\$ 6,977,182
	2,966,591	2,277,033	6,648,237	6,624,564	5,185,649	8,155,553
\$	14,676,386	\$ 15,398,567	\$ 12,266,315	\$ 23,403,359	\$ 21,630,498	\$ 15,132,735

## Fund Balances - Governmental Funds

Last Ten Fiscal Years

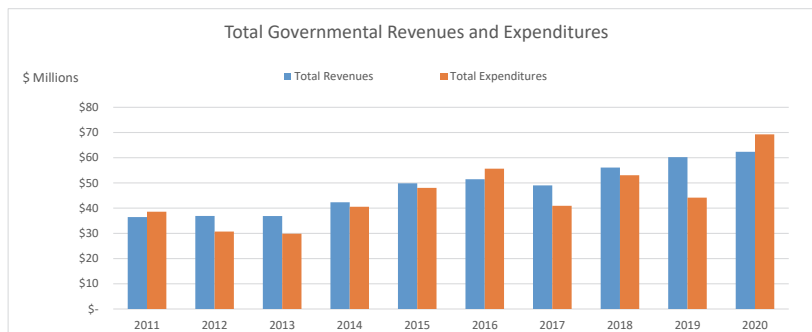
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Fund</b>										
Nonspendable	\$ 712,160	\$ 713,300	\$ 1,062,700	\$ 15,130,823	\$ 14,422,062	\$ 348,263	\$ 380,712	\$ 607,633	\$ 398,241	\$ 203,543
Restricted	-	-	42,000	-	-	-	-	-	-	-
Committed	2,706,600	6,853,165	7,151,565	3,200,000	3,300,000	11,291,795	12,131,795	15,924,352	15,810,239	16,509,727
Assigned	2,728,704	9,175,000	9,700,000	12,901,565	13,683,365	14,000,000	16,841,500	9,841,500	19,341,500	16,841,500
Unassigned	10,694,918	3,002,379	3,052,124	3,040,483	3,386,603	3,971,159	2,698,673	3,177,129	2,888,220	2,890,529
<b>Total General Fund</b>	<b>\$16,842,382</b>	<b>\$19,743,844</b>	<b>\$ 21,008,389</b>	<b>\$ 34,272,871</b>	<b>\$ 34,792,030</b>	<b>\$29,611,217</b>	<b>\$32,052,680</b>	<b>\$29,550,614</b>	<b>\$ 38,438,200</b>	<b>\$36,445,299</b>
<b>Other Governmental Funds</b>										
Nonspendable	1,587,305	1,585,662	2,538,601	-	-	-	-	-	-	-
Restricted	10,556,589	5,737,252	6,290,634	9,859,896	12,904,615	13,634,148	14,913,451	17,552,239	21,956,488	20,162,108
Committed	5,760,066	9,652,778	14,369,247	12,377,737	15,968,926	16,433,787	21,406,130	30,751,795	34,128,375	33,745,063
Assigned	5,578,686	-	-	-	-	-	-	-	-	-
Unassigned	(22,835)	(22,610)	-	-	-	-	-	-	-	-
<b>Total other governmental Fund</b>	<b>\$23,459,811</b>	<b>\$16,953,082</b>	<b>\$ 23,198,482</b>	<b>\$ 22,237,633</b>	<b>\$ 28,873,541</b>	<b>\$30,067,935</b>	<b>\$36,319,581</b>	<b>\$48,304,034</b>	<b>\$56,084,863</b>	<b>\$53,907,171</b>
<b>Total Governmental Fund Balance</b>	<b>40,302,193</b>	<b>36,696,926</b>	<b>44,206,871</b>	<b>56,510,504</b>	<b>63,665,571</b>	<b>59,679,152</b>	<b>68,372,261</b>	<b>77,854,648</b>	<b>94,523,063</b>	<b>90,352,470</b>
<b>% Change from Prior Year</b>	<b>-0.2%</b>	<b>-8.9%</b>	<b>20.5%</b>	<b>27.8%</b>	<b>12.7%</b>	<b>-6.3%</b>	<b>14.6%</b>	<b>13.9%</b>	<b>21.4%</b>	<b>-4.4%</b>



The City implemented Governmental Accounting Standards Board Statement Number 54 in fiscal year 2011.

**Changes in Fund Balances - Governmental Funds**  
Last Ten Fiscal Years

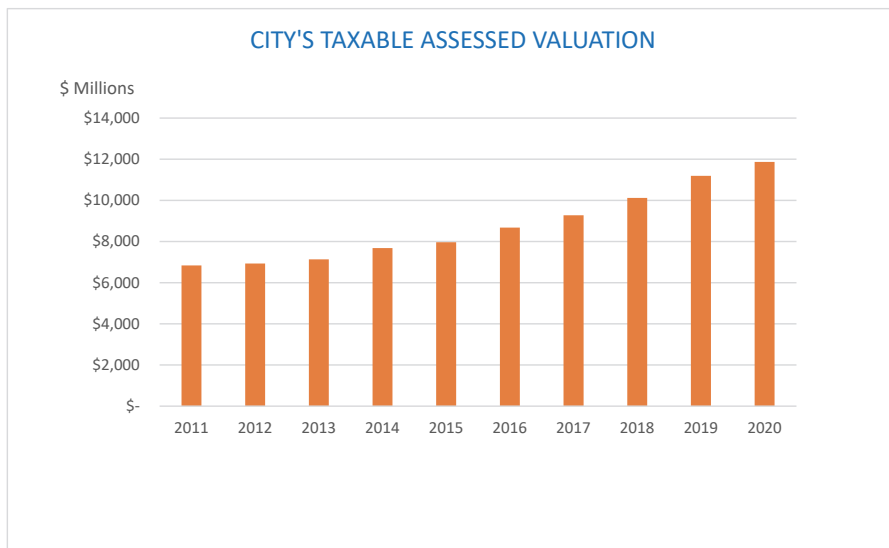
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Taxes	\$ 26,868,250	\$ 25,282,782	\$ 24,176,828	\$ 27,254,431	\$ 28,527,925	\$ 30,701,483	\$ 32,739,874	\$ 35,315,493	\$ 39,764,562	\$ 39,749,062
Licenses, permits and fees	1,020,215	3,198,769	2,024,279	2,271,457	2,465,157	4,534,737	3,511,276	5,671,196	3,759,871	3,574,107
Fines and forfeitures	299,364	265,091	234,218	219,944	265,288	234,697	255,632	202,126	283,864	266,630
Use of money and property	2,004,508	1,864,401	1,805,466	2,176,508	6,124,308	3,143,760	2,195,096	2,680,870	4,393,214	5,206,157
From other agencies	2,125,347	2,048,990	1,824,567	4,119,086	4,218,621	4,360,957	2,753,794	1,602,792	1,974,384	3,090,322
Charges for services	2,532,268	2,557,464	2,912,353	3,389,107	3,785,239	4,253,198	3,952,620	4,231,562	4,130,312	3,855,545
Other	1,594,824	1,674,507	3,878,322	2,886,134	4,439,450	4,236,064	3,613,927	6,373,700	5,920,652	6,592,001
<b>Total Revenues</b>	<b>36,444,776</b>	<b>36,892,004</b>	<b>36,856,033</b>	<b>42,316,667</b>	<b>49,825,988</b>	<b>51,464,896</b>	<b>49,022,219</b>	<b>56,077,739</b>	<b>60,226,859</b>	<b>62,333,824</b>
<b>Expenditures</b>										
<b>Current:</b>										
General government	3,031,272	4,555,802	4,165,249	4,715,318	4,824,314	4,988,340	4,840,215	12,350,097	5,695,234	16,144,942
Public safety	15,298,099	13,119,914	14,410,769	15,360,993	15,993,240	17,340,123	17,827,665	18,568,952	19,567,510	20,351,411
Public works	1,223,829	1,673,870	1,641,955	6,779,012	4,121,793	4,612,132	8,930,843	11,417,750	9,223,438	6,166,679
Community development	3,542,118	3,932,661	2,666,132	2,870,822	3,104,920	4,134,764	4,250,662	4,668,424	4,400,138	8,099,919
Parks and recreation	3,379,167	3,438,598	3,597,600	2,574,917	2,590,068	2,775,229	2,816,465	2,919,349	2,997,533	2,945,962
Capital outlay	9,854,906	2,465,296	2,841,083	7,691,263	10,596,619	12,271,896	1,887,675	2,771,420	1,898,256	15,148,607
<b>Debt service:</b>										
Principal repayment	662,049	700,264	265,000	285,000	6,405,000	9,210,000	250,000	265,000	290,000	320,000
Interest and fiscal charges	1,574,187	843,435	268,300	258,604	400,240	300,908	99,485	91,760	83,435	74,285
<b>Total Expenditures</b>	<b>38,565,627</b>	<b>30,729,840</b>	<b>29,856,088</b>	<b>40,535,929</b>	<b>48,036,194</b>	<b>55,633,392</b>	<b>40,903,010</b>	<b>53,052,752</b>	<b>44,155,544</b>	<b>69,251,805</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,120,851)</b>	<b>6,162,164</b>	<b>6,999,945</b>	<b>1,780,738</b>	<b>1,789,794</b>	<b>(4,168,496)</b>	<b>8,119,209</b>	<b>3,024,987</b>	<b>16,071,315</b>	<b>(6,917,981)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in	4,283,631	2,938,040	4,303,415	1,645,165	6,441,141	4,815,399	5,846,109	9,469,241	3,832,100	4,759,300
Transfers (out)	(3,699,031)	(2,293,040)	(3,793,415)	(1,472,965)	(5,850,141)	(4,252,799)	(5,272,209)	(9,011,841)	(3,235,000)	(4,150,300)
Loss on sale of property	-	-	-	-	-	(380,523)	-	-	-	-
Proceeds from sale of capital assets	1,509,424	-	-	-	-	-	-	-	-	-
Proceeds of Debt	-	-	-	8,800,000	4,774,273	-	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	-	-	-	-	-	-
Capital contribution	-	-	-	1,550,695	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,094,024</b>	<b>645,000</b>	<b>510,000</b>	<b>10,522,895</b>	<b>5,365,273</b>	<b>182,077</b>	<b>573,900</b>	<b>457,400</b>	<b>597,100</b>	<b>609,000</b>
Special item	-	-	-	-	-	-	-	6,000,000	-	2,138,388
Extraordinary gain/(loss) on dissolution of RDA	-	(10,412,431)	-	-	-	-	-	-	-	-
<b>Net Change in fund balances</b>	<b>\$ (26,827)</b>	<b>\$ (3,605,267)</b>	<b>\$ 7,509,945</b>	<b>\$ 12,303,633</b>	<b>\$ 7,155,067</b>	<b>\$ (3,986,419)</b>	<b>\$ 8,693,109</b>	<b>\$ 9,482,387</b>	<b>\$ 16,668,415</b>	<b>\$ (4,170,593)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>7.5%</b>	<b>5.3%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>16.3%</b>	<b>20.7%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>1.0%</b>	<b>0.9%</b>



## Assessed Valuation, Tax Rates and Tax Levies LAST TEN FISCAL YEARS

### Real Property

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Others	Total Real Property	Unsecured Property	Total Assessed	% Change from Prior Year	Total Direct Tax Rate
2011	\$ 5,438,326,043	\$ 532,479,578	\$ 524,446,802	\$ 50,382,008	\$ 6,545,634,431	\$ 289,541,082	\$ 6,835,175,513	0.78%	0.19600
2012	5,532,457,020	530,784,713	530,206,176	57,106,808	6,650,554,717	280,928,376	6,931,483,093	1.41%	0.19481
2013	5,717,858,710	516,269,311	559,907,761	69,214,632	6,863,250,414	269,345,842	7,132,596,256	2.90%	0.19504
2014	6,120,011,894	541,914,403	556,804,162	59,050,682	7,277,781,141	401,155,969	7,678,937,110	7.66%	0.11685
2015	6,489,784,870	561,595,333	563,659,154	50,870,561	7,665,909,918	299,060,205	7,964,970,123	3.72%	0.11840
2016	6,979,211,977	665,733,132	598,644,941	63,226,293	8,306,816,343	370,528,439	8,677,344,782	8.94%	0.11424
2017	7,420,946,280	770,190,805	636,526,534	67,885,633	8,895,549,252	381,768,262	9,277,317,514	6.91%	0.11379
2018	7,974,893,577	932,202,492	719,752,790	93,148,004	9,719,996,863	399,049,241	10,119,046,104	9.07%	0.11346
2019	8,556,401,938	1,038,848,823	920,844,274	89,053,163	10,605,148,198	590,331,671	11,195,479,869	10.64%	0.11460
2020	9,274,656,525	1,134,157,010	908,575,428	84,410,613	11,401,799,576	465,645,550	11,867,445,126	6.00%	0.11317



Source:

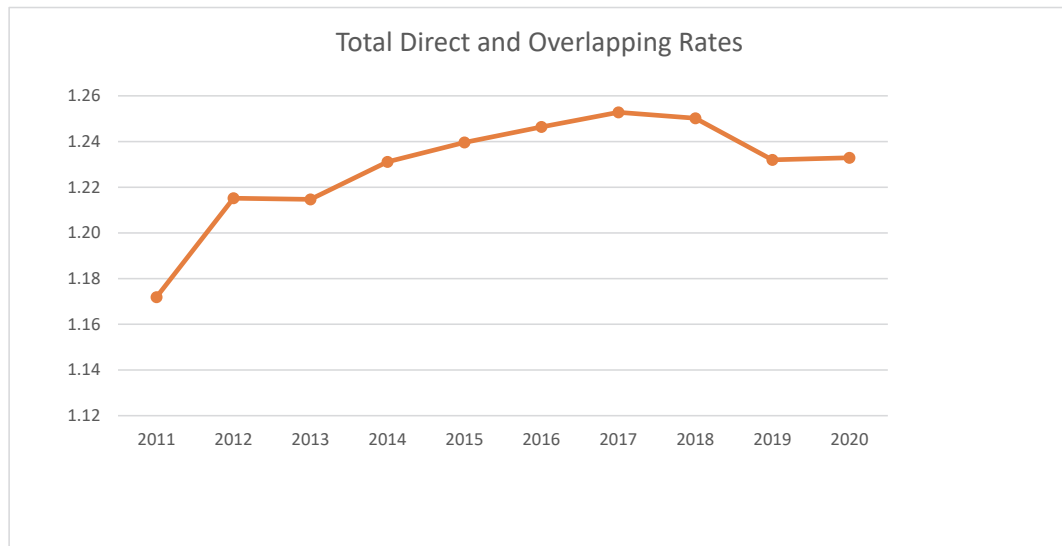
San Mateo County Assessor 2010/11- 2019/20 Combined Tax Rolls

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes 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 increase of 2%). Property is only re-assessed at the time it is sold to a new owner. At that point, the new assessed value is re-assessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data current available with respect to the actual market value of taxable property and is subject to the limitations described above.

## Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years  
(Rate per \$100 of Taxable Value)

Fiscal Year	Basic Levy	'City's Share of 1% Levy Per Prop 13	City Debt Rate	San Mateo			Sequoia Union High	Belmont Redwood City	Mid-Peninsula Regional Open Space	San Mateo Community College	Total Direct Overlapping Tax Rate	Total Direct Rate*
				Junior College	San Carlos Elementary	Shore Elementary						
2011	1.0000	0.10801	0.0089	0.0193	0.0528	0.0311	0.0598	-	-	1.1719	0.19600	
2012	1.0000	0.10802	0.0089	0.0199	0.0535	0.0358	0.0971	-	-	1.2152	0.19481	
2013	1.0000	0.10803	0.0088	0.0194	0.0528	0.0356	0.0981	-	-	1.2147	0.19504	
2014	1.0000	0.10755	0.0084	0.0194	0.0775	0.0313	0.0945	-	-	1.2311	0.11685	
2015	1.0000	0.10803	0.0082	0.0190	0.0768	0.0433	0.0923	-	-	1.2396	0.11840	
2016	1.0000	0.10803	0.0042	0.0250	0.0725	0.0434	0.1005	0.0008	-	1.2464	0.11424	
2017	1.0000	0.10802	0.0040	0.0247	0.0646	0.0391	0.1198	0.0006	-	1.2528	0.11379	
2018	1.0000	0.10800	0.0038	0.0235	0.0643	0.0383	0.1194	0.0009	-	1.2502	0.11346	
2019	1.0000	0.10800	0.0037	0.0175	0.0600	0.0365	0.1125	0.0018	-	1.2320	0.11460	
2020	1.0000	0.10798	0.0032	0.0231	0.0604	0.0340	0.1071	0.0016	0.0035	1.2329	0.11317	



Source:  
San Mateo County Assessor 2010/11- 2019/20 Tax Rate Table

City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city.

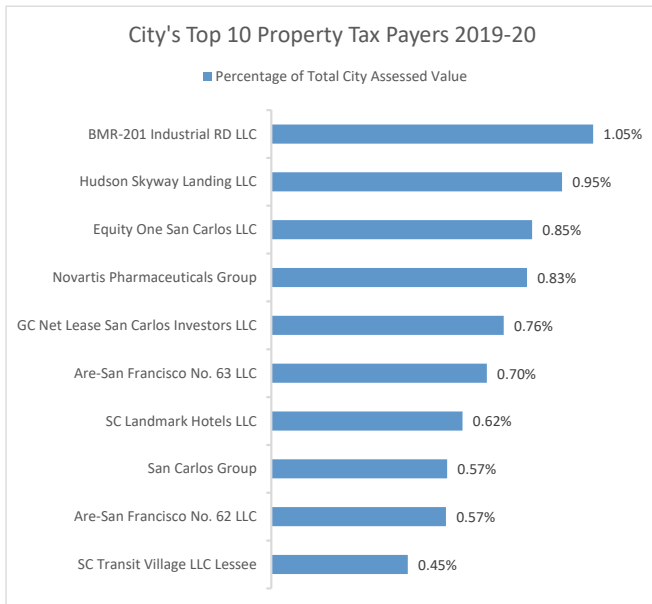
The ERAF portion of the City's Levy has been subtracted where known.

\*Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information

## Principal Property Tax Payers

Current Fiscal Year and Ten Years Prior

2019-2020				2010-2011			
Taxpayer	Assessed Value	Rank	Percentage of	Taxpayer	Assessed Value	Rank	Percentage of
			Total City				Total City
			Assessed				Assessed
			Value				Value
BMR-201 Industrial RD LLC	\$ 124,540,589	1	1.05%	SPK-Skyway Landing LLC	\$ 53,500,000	1	0.78%
Hudson Skyway Landing LLC	112,506,590	2	0.95%	County of San Mateo	44,115,939	2	0.65%
Equity One San Carlos LLC	100,918,800	3	0.85%	BMR-201 Industrial RD LLC	39,129,205	3	0.57%
Novartis Pharmaceuticals Group	98,944,590	4	0.83%	Novartis Pharmaceuticals Group	38,741,495	4	0.57%
GC Net Lease San Carlos Investors LLC	89,923,331	5	0.76%	L-3 Communications Corp	38,020,433	5	0.56%
Are-San Francisco No. 63 LLC	83,408,867	6	0.70%	Kelly-Moore Paint Company	24,999,085	6	0.37%
SC Landmark Hotels LLC	73,993,937	7	0.62%	301 Industrial LLC	24,651,456	7	0.36%
San Carlos Group	68,042,160	8	0.57%	Black Mountain Holdings LLC	24,139,482	8	0.35%
Are-San Francisco No. 62 LLC	67,583,418	9	0.57%	San Carlos Retail Venture LP	20,813,881	9	0.30%
SC Transit Village LLC Lessee	52,820,281	10	0.45%	Longs Drug Store Inc	18,872,732	10	0.28%
<b>Total Top 10 Taxpayers' Totals</b>	<b>\$ 872,682,563</b>		<b>7.35%</b>	<b>Total Top 10 Taxpayers' Totals</b>	<b>\$ 326,983,708</b>		<b>4.78%</b>
<b>City's Total Assessed Valuation</b>	<b>\$ 11,867,445,126</b>		<b>100%</b>	<b>City's Total Assessed Valuation</b>	<b>\$ 6,835,175,513</b>		<b>100%</b>

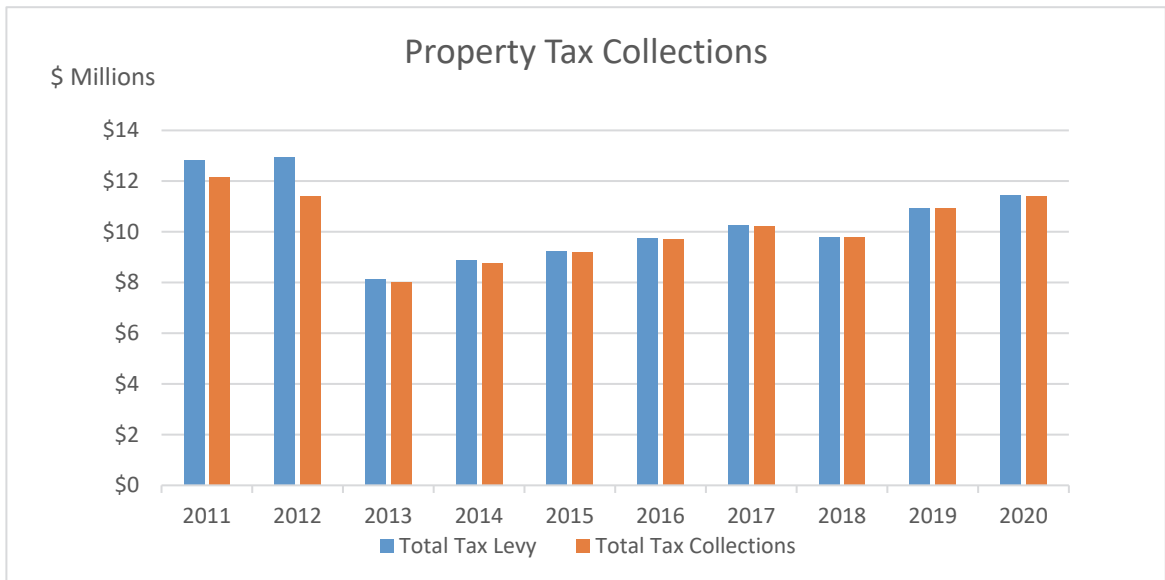


Source:  
San Mateo County Assessor 2019/20 Combined Tax Rolls and the SBE Non Unitary Tax Roll  
Top Property Tax Payers Based on Net Values

# Property Tax Levies and Collections

## Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2011	\$ 12,829,443	\$ 12,155,993	94.75%	\$ -	\$ 12,155,993	94.75%
2012	12,955,911	11,398,356	87.98%	-	11,398,356	87.98%
2013	8,138,448	8,027,011	98.63%	-	8,027,011	98.63%
2014	8,879,658	8,757,878	98.63%	-	8,757,878	98.63%
2015	9,229,066	9,208,905	99.78%	-	9,208,905	99.78%
2016	9,744,532	9,693,047	99.47%	-	9,693,047	99.47%
2017	10,273,217	10,231,703	99.60%	-	10,231,703	99.60%
2018	9,804,156	9,807,155	100.00%	-	9,807,155	100.00%
2019	10,934,085	10,913,557	99.81%	-	10,913,557	99.81%
2020	11,428,769	11,413,296	99.86%	-	11,413,296	99.86%



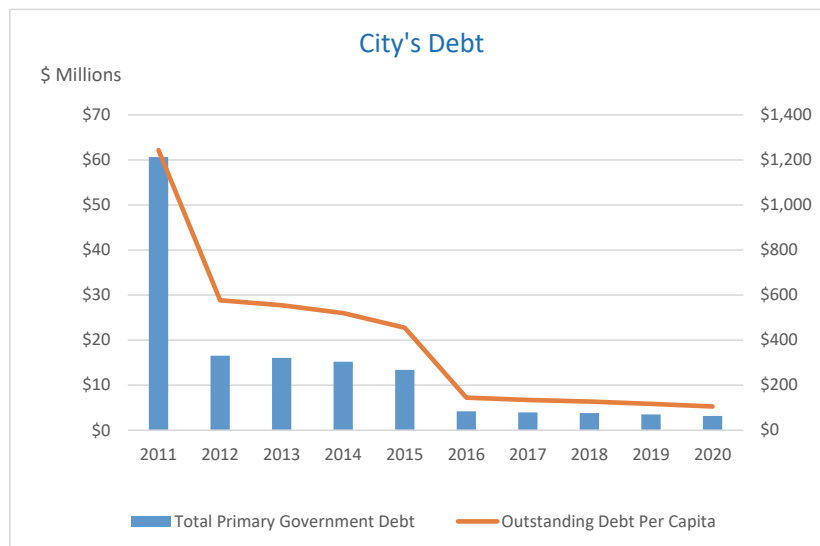
**Source**

San Mateo County Assessor 2010/11 - 2019/20 Combined Tax Rolls  
 2019-20 County of San Mateo Estimated Property Tax Revenue

1. In 1995 the County entered a "Teeter Plan" agreement with the City which allows the City to keep 100% of the secured taxes, and the County to keep all interest and delinquency charges collected.
2. Prior to fiscal year 2012, property tax levies included property tax increment from the former Redevelopment Agency.
3. Beginning fiscal year 2013, the amounts presented include only the City's general secured and unsecured property taxes collections. The tax collection is subjected to adjustment for all increases, decreases and refunds processed throughout the fiscal year.

## Ratio of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	<u>Governmental Activities</u>				<u>Business Type Activities**</u>				Total Primary Government Debt	% of Personal Income (a)	Outstanding Debt Per Capita
	General Obligation Bonds Public Library	California Energy Commission	Former RDA Debt *	ABAG Lease Agreement	2015 Refunding General Obligation Bonds	2008 Financing Agreement	2009 Financing Agreement	2009 Financing Agreement			
2011	\$ 7,200,000	\$ 68,822	\$ 43,581,445	\$ -	\$ -	\$ 1,460,000	\$ 8,330,000	\$ 60,640,267	2.19%	\$ 1,244	
2012	6,955,000	-	-	-	-	1,410,000	8,175,000	16,540,000	0.97%	577	
2013	6,690,000	-	-	-	-	1,355,000	8,015,000	16,060,000	0.91%	555	
2014	6,405,000	-	-	8,800,000	-	-	-	15,205,000	0.89%	520	
2015	-	-	-	8,800,000	4,600,000	-	-	13,400,000	0.73%	455	
2016	-	-	-	-	4,190,000	-	-	4,190,000	0.21%	144	
2017	-	-	-	-	3,940,000	-	-	3,940,000	0.19%	134	
2018	-	-	-	-	3,805,704	-	-	3,805,704	0.16%	127	
2019	-	-	-	-	3,501,181	-	-	3,501,181	0.14%	117	
2020	-	-	-	-	3,166,658	-	-	3,166,658	(a)	105	



**Sources:**

City of San Carlos Debt Schedule

State of California, Department of Finance (population)

U.S. Department of Commerce, Bureau of the Census (income)

Debt amounts exclude any premiums, discounts, or other amortization amounts.

(a) See Schedule (Demographic Statistics) for personal income and population data. Data for 2019 is not available.

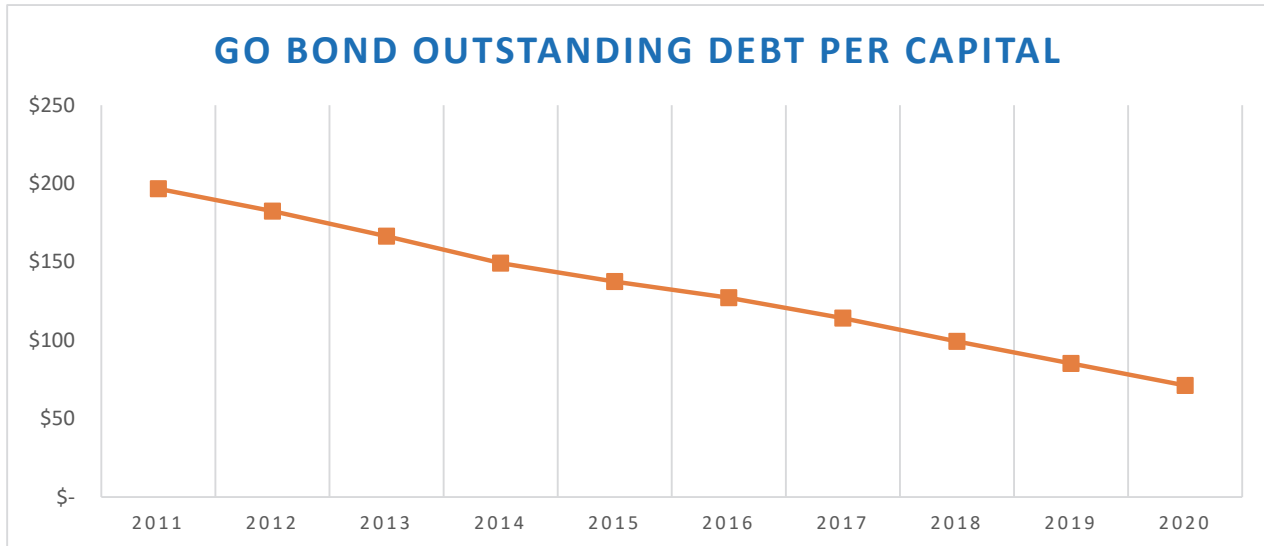
\* As a result of the dissolution of the Redevelopment Agency on February 1, 2012, the long-term debt of the former Redevelopment Agency was transferred to the Successor Agency when it took over the responsibility of winding down the operations of the former Agency.

\*\* Adjustments made in FY2013 relating to the City's investment in the Silicon Valley Water Joint Venture.



## Ratio of General Bonded Debt Outstanding Last Ten Fiscal Years

General Bonded Debt Outstanding							
Fiscal Year	2005 General Obligation Debt (1)	2015 Refunding General Obligation Bond *	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Assessed Value (3)	Per Capita (4)	
2011	\$ 7,200,000	\$ -	\$ 1,595,577	\$ 5,604,423	0.08%	\$ 197	
2012	6,955,000	-	1,727,818	5,227,182	0.08%	182.42	
2013	6,690,000	-	1,874,887	4,815,113	0.07%	166.43	
2014	6,405,000	-	2,044,334	4,360,666	0.06%	149.24	
2015	-	4,774,273	725,393	4,048,880	0.05%	137.49	
2016	-	4,349,750	661,476	3,688,274	0.04%	127.15	
2017	-	4,085,227	739,933	3,345,294	0.04%	114.13	
2018	-	3,805,704	837,295	2,968,409	0.03%	99.29	
2019	-	3,501,181	956,071	2,545,110	0.02%	85.22	
2020	-	3,166,658	1,020,951	2,145,707	0.02%	71.18	



1. This is the general bonded debt of governmental activities, net of original issuance discounts and premiums
  2. This is the amount restricted for debt service principal payments
  3. Assessed value has been used because the actual value of taxable property is not readily available in the State of California
  4. Population data can be found in the Schedule of Demographic and Economic Statistics
- \*Updated to include bond premium

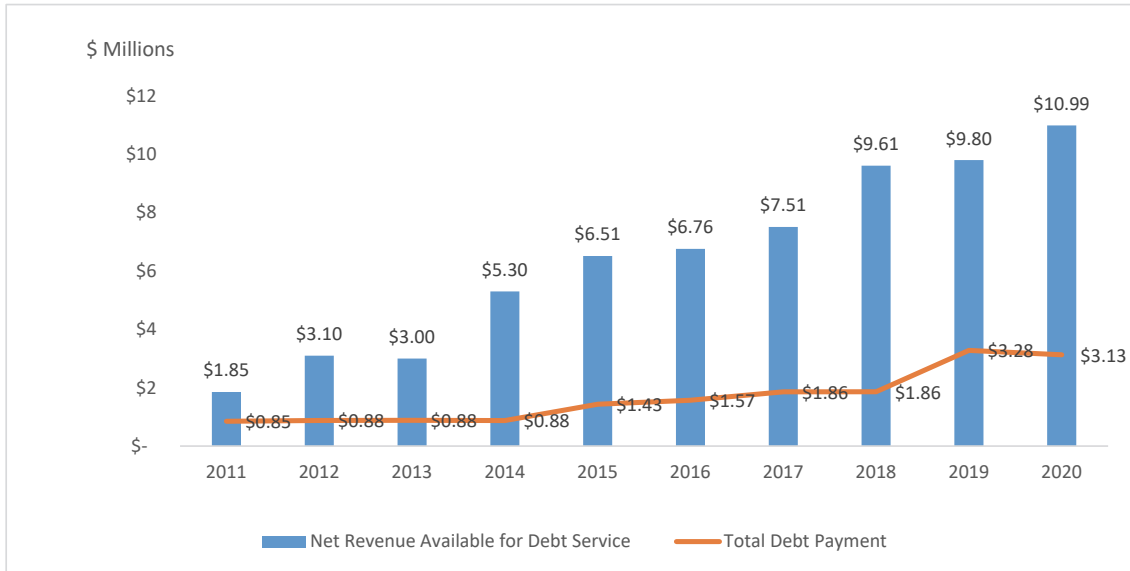
# Pledged Revenue Coverage

Last Ten Fiscal Years

## San Carlos Sewer Fund - SVCW 2008, 2009, 2014, 2015, 2018 Financing Agreement

### Financing Agreement

Fiscal Year	Net Revenue Available for Debt Service	Financing Agreement					Total Debt Payment	Coverage
		2008	2009	2014	2015	2018		
2011	\$ 1,853,539	\$ 117,308	\$ 733,352	\$ -	\$ -	\$ -	\$ 850,660	2.18
2012	3,099,735	115,308	765,177	-	-	-	880,485	3.52
2013	3,000,783	118,208	765,278	-	-	-	883,486	3.40
2014	5,300,680	116,008	759,246	-	-	-	875,254	6.06
2015	6,514,209	118,707	757,204	558,039	-	-	1,433,950	4.54
2016	6,758,316	110,850	754,175	646,163	60,448	-	1,571,636	4.30
2017	7,509,125	-	750,113	645,494	463,400	-	1,859,007	4.04
2018	9,611,211	-	749,907	645,410	465,550	-	1,860,867	5.16
2019	9,802,430	-	743,691	645,745	471,000	1,419,459	3,279,895	2.99
2020	10,988,237	-	473,934	645,811	584,198	1,424,138	3,128,081	3.51



Source

City of San Carlos Annual Financial Statements

## Direct And Overlapping Debt

June 30, 2020

2019-20 Assessed Valuation	\$11,867,445,126
Redevelopment Successor Agency Incremental Valuation	\$1,342,497,231

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	Total Debt 6/30/2020	Percentage Applicable (1)	City's Share of Debt 6/30/2020
San Mateo Community College District	\$ 766,683,503	4.959%	\$ 38,019,835
Sequoia Union High School District	512,465,000	11.558%	59,230,705
Belmont-Redwood Shores School District	60,077,715	4.492%	2,698,691
Belmont-Redwood Shores School Facilities Improvement District	37,428,890	7.232%	2,706,857
Redwood Shores School Facilities Improvement District	20,100,000	0.734%	147,534
Redwood City School District	192,274,431	2.790%	5,364,457
San Carlos School District	112,881,118	96.224%	108,618,727
<b>City of San Carlos *</b>	<b>3,166,658</b>	<b>100.000%</b>	<b>3,166,658</b>
Midpeninsula Regional Park District	88,810,000	3.754%	3,333,927
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b>\$ 1,793,887,315</b>		<b>\$ 223,287,391</b>

OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Mateo County General Fund Obligations	\$ 515,920,256	4.959%	\$ 25,584,485
San Mateo County Board of Education Certificates of Participation	7,505,000	4.959%	372,173
Midpeninsula Regional Park District General Fund Obligations	111,985,600	3.754%	4,203,939
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>	<b>\$ 635,410,856</b>		<b>\$ 30,160,598</b>

OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY)	\$ 10,912,052	100.000%	\$ 10,912,052
---	---------------	----------	---------------

<b>TOTAL DIRECT DEBT</b>	<b>3,166,658</b>
TOTAL OVERLAPPING DEBT	261,193,383

<b>COMBINED TOTAL DEBT</b>	<b>\$ 264,360,041</b>
----------------------------	-----------------------

RATIOS TO 2019-20 ASSESSED VALUATION:

<b>Direct Debt (\$3,166,658)</b>	<b>0.03%</b>
Total Direct and Overlapping Tax and Assessment Debt	1.88%
Combined Total Debt	2.23%

RATIOS TO REDEVELOPMENT SUCCESSOR AGENCY INCREMENTAL VALUATION (\$1,342,497,231):

Total Overlapping Tax Increment Debt	0.81%
--------------------------------------	-------

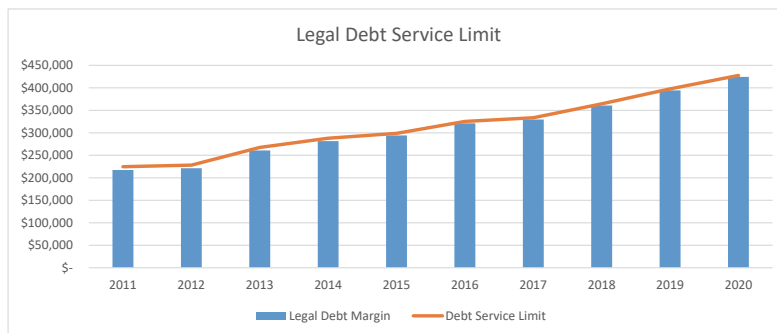
Source  
California Municipal Statistics, Inc.

- 
1. The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's
  2. Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations.

\* Total debt includes bond premium

## Computation of Legal Bonded Debt Margin Last Ten Fiscal Years

	Fiscal year (in Thousands)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Secured property assessed value, net of exempt real property	\$ 5,988,768	\$ 6,085,726	\$ 7,132,596	\$ 7,678,937	\$ 7,964,970	\$ 8,677,644	\$ 8,895,382	\$ 9,719,830	\$ 10,604,982	\$ 11,401,615
<b>Legal Debt Limit</b>										
Debit service limit (3.75% of property assessed value ) (a)	224,579	228,215	267,472	287,960	298,686	325,412	333,577	364,494	397,687	427,561
Less: General Obligation Bond	7,200	6,955	6,690	6,405	4,600	4,190	3,940	3,675	3,385	3,065
Legal debt margin	\$ 217,379	\$ 221,260	\$ 260,782	\$ 281,555	\$ 294,086	\$ 321,222	\$ 329,637	\$ 360,819	\$ 394,302	\$ 424,496
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	<b>3.31%</b>	<b>3.14%</b>	<b>2.57%</b>	<b>2.27%</b>	<b>1.56%</b>	<b>1.30%</b>	<b>1.20%</b>	<b>1.02%</b>	<b>0.86%</b>	<b>0.72%</b>



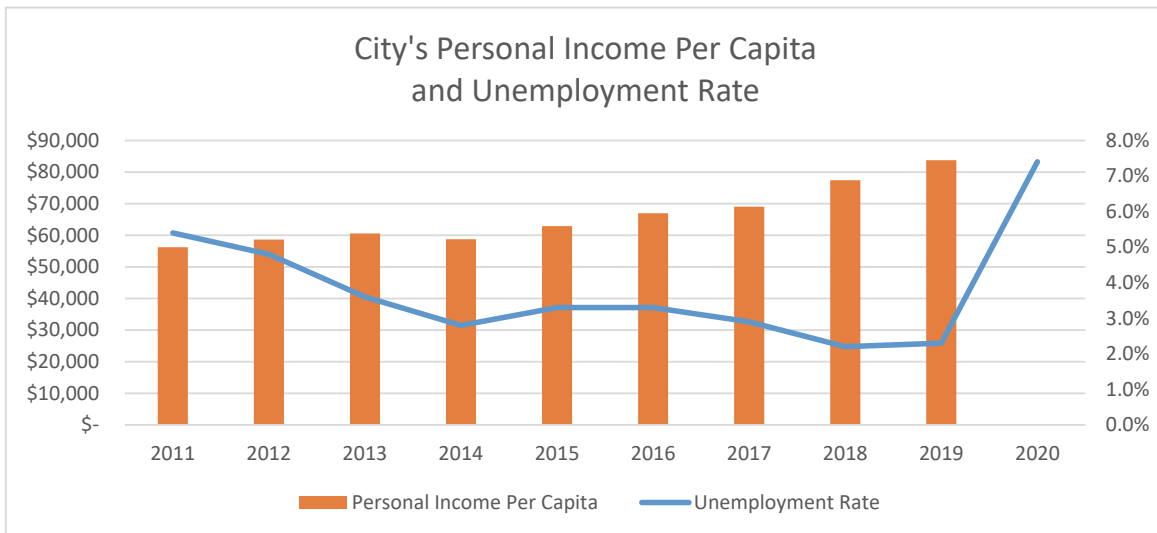
Source  
County of San Mateo, Assessed Valuation Reports

1. California Government Code Section 43605 sets the debt limit at 15%. The code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

## Demographic And Economic Statistics

### Last Ten Fiscal Years

Fiscal Year	City Population	Total Personal Income (In Thousands)	Personal Income Per Capita	Unemployment Rate	San Mateo Population	City Population % of County
2011	28,494	\$ 1,614,668	\$ 56,223	5.4%	\$ 724,702	3.93%
2012	28,654	1,696,601	58,643	4.8%	729,443	3.93%
2013	28,931	1,769,882	60,573	3.6%	735,678	3.93%
2014	29,219	1,717,440	58,740	2.8%	745,193	3.92%
2015	29,449	1,824,271	62,888	3.3%	753,123	3.91%
2016	29,008	1,963,141	66,976	3.3%	766,041	3.79%
2017	29,311	2,063,967	69,035	2.9%	770,763	3.80%
2018	29,897	2,311,883	77,413	2.2%	774,155	3.86%
2019	29,864	2,525,541	83,779	2.3%	774,351	3.86%
2020	30,145	(a)	(b)	7.4%	773,244	3.90%



**Source**

Population: California State Department of Finance  
 Unemployment Data: California Employment Development Department  
 Income Data : ESRI - Demographic estimates are based on the last available census.  
 Demographic data is totaled from census Block Groups that overlap the City's boundaries

(a) & (b) Information is not available

## Principal Employers

Current Year and Ten Years Ago

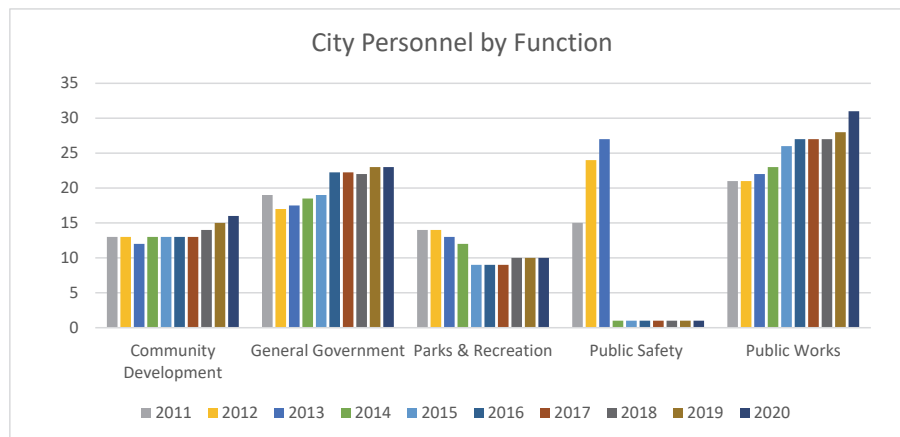
Employer	2020				2011		
	Number of Employees	Rank	Percent of Total City Employment		Number of Employees	Rank	Percent of Total City Employment
NATERA INC	486	1	2.93%	L-3 ELECTRON DEVICES	389	1	2.59%
PACIFIC GAS & ELECTRIC CO	284	2	1.71%	PACIFIC GAS & ELECTRIC CO	350	2	2.33%
THE HOME DEPOT #0628	251	3	1.51%	BELMONT SELF STORAGE	323	3	2.15%
CHECK POINT SOFTWARE TECH INC	244	4	1.47%	KELLY MOORE PAINT CO	267	4	1.78%
RECOLOGY SAN MATEO COUNTY	240	5	1.45%	DELTA STAR INC	188	5	1.25%
DELTA STAR INC	210	6	1.27%	WELLS FARGO INSURANCE SERVICES	185	6	1.23%
SC TRANSIT VILLAGE, INC	202	7	1.22%	NOVARTIS PHARMACEUTICALS	172	7	1.15%
THOUGHT STREAM	128	8	0.77%	THE HOME DEPOT	165	8	1.10%
TRADER JOE'S #174	125	9	0.75%	GEORGE P JOHNSON COMPANY	150	9	1.00%
MARK LOGIC CORPORATION	120	10	0.72%	BEST BUY	110	10	0.73%
<b>Top 10 Employers</b>	<b>2290</b>		<b>13.80%</b>		<b>2299</b>		<b>15.33%</b>
<b>Total Employment of the City's Labor Force</b>	<b>16,600</b>				<b>15,000</b>		

Source

Data from City of San Carlos business license database

## Full Time Equivalent City Personnel By Function Last Ten Fiscal Years

	Adopted Budget Authorized Personnel For Fiscal Year Ended June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Community Development	13	13	12	13	13	13	13	14	15	16
General Government	19	17	18	19	19	22	22	22	23	23
Parks & Recreation	14	14	13	12	9	9	9	10	10	10
Public Safety	15	24	27	1	1	1	1	1	1	1
Public Works	21	21	22	23	26	27	27	27	28	31
<b>Total Full Time Equivalent Personnel</b>	<b>82</b>	<b>89</b>	<b>92</b>	<b>68</b>	<b>68</b>	<b>72</b>	<b>72</b>	<b>74</b>	<b>77</b>	<b>81</b>



Source  
City budget document

1. Starting on October 31, 2010, County of San Mateo Sheriff's Office began providing police services to the City.
2. The Belmont-San Carlos Fire Department was dissolved on October 12, 2011.
3. The City of Redwood City began providing full fire and emergency services including the transfer of the fire service personnel from the City of San Carlos to the City of Redwood City on July 1, 2013.

## Operating Indicators by Function/Program

### Last Ten Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Public safety:</b>										
Fire										
Fire calls for service	N/A	992	1,896	1,961	2,209	2,365	2,232	2,415	2,312	2,405
Primary fire inspections conducted	N/A	240	465	356	638	700	450	659	984	737
Police:										
Communication Center calls answered										
Police calls for Service	12,236	11,058	13,490	12,831	13,446	17,985	12,474	13,094	13,013	13,575
Law violations:										
Part I and Part II crimes	2,446	2,132	1,780	1,988	1,868	1,544	1,387	1,469	1,572	1,427
Physical arrests (adult and juvenile)	912	704	657	683	732	713	803	790	878	611
Traffic violations	3,701	2,932	3,666	3,224	3,260	2,599	1,843	2,347	5,389	3,765
Parking violations	4,573	4,533	4,558	3,609	6,613	4,794	8,014	4,706	11,020	5,734
<b>Street</b>										
Pavement Condition Index	67	64	64	60	60	60	63	63	61	60
<b>Sewer</b>										
Sewer service connections	11,309	11,335	11,355	11,107	11,000	11,017	11,017	11,033	11,010	11,010
Average daily flow (millions of gallons)	2.60	1.75	1.66	1.66	1.81	1.80	2.69	1.66	2.21	1.67
Maximum Allocated Treatment Capacity, Average Dry Weather Flow (Millions of Gallons)	4.47	4.47	4.47	4.47	4.39	5.18	4.90	4.39	4.39	4.39
Maximum Allocated Treatment Capacity, Peak Wet Weather Flow (Millions of Gallons)	14.30	14.30	14.30	14.30	15.96	25.00	14.30	14.30	14.3	14.3
<b>Culture and recreation:</b>										
Community Services:										
Adult Registrations	2,312	2,585	2,481	2,750	2,825	2,949	4,120	5,789	5,688	1,679
Tot/Youth Registrations	6,189	7,117	7,646	7,042	7,524	6,433	5,595	4,426	4,919	2,982
Facility Rentals	185	178	189	133	114	79	129	106	104	144
Picnic Rentals	N/A	144	166	173	196	235	236	223	284	141
Organized Play Participants	5,454	8,005	7,184	6,761	7,222	7,900	7,985	7,856	7,922	5,925
Organized Play Hours Permitted	17,368	18,611	17,212	17,046	17,856	18,440	18,560	18,470	18,505	12,400

Source:  
Various city department records

1. The Belmont-San Carlos Fire Department was dissolved on October 12, 2011. City re-established the Fire Department in October 2011. Information prior to the FY2011 is not available
2. The Wastewater Treatment Plant had problems with its flow meters in 2010, the data for average daily flow is not available.
3. Due to budget cuts, the picnic rental program was halted in FY 2011. It was re-instated in FY 2012.



## Capital Asset Statistics By Function/Program

### Last Ten Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Public safety:</b>										
Fire stations	2	2	2	2	2	2	2	2	2	2
Police stations	1	1	1	1	1	1	1	1	1	1
<b>Streets</b>										
Total Length (Miles)	87	87	87	87	87	87	87	87	87	87
Street lights	1,888	1,888	1,888	1,888	1,916	1,942	1,942	1,942	1,942	1,942
Traffic Signals	20	20	20	21	21	21	21	22	22	22
<b>Parking Lots</b>										
Number of City Parking Lots	4	4	4	4	4	4	4	4	4	4
Number of Public Parking Spaces	356	356	356	356	356	356	356	386	386	605
Number of Business Permits issued	94	91	91	91	91	91	91	13	68	122
<b>Wastewater</b>										
Total Sewer Main Length (Miles)	106	104	104	104	105	105	105	105	105	105
Sewer Pump Stations	6	6	6	6	6	6	6	6	6	6
<b>Storm water</b>										
Catch basins/inlets	1,324	1,324	1,324	1,324	1,324	1,326	1,326	1,326	1,326	1,326
Stormwater Pump Stations	3	3	3	3	3	3	3	3	3	3
Manholes	3,205	3,205	3,205	3,205	3,205	3,205	3,205	3,205	3,205	3,205
<b>General government:</b>										
City Hall	1	1	1	1	1	1	1	1	1	1
City Museum	1	1	1	1	1	1	1	1	1	1
<b>Parks and recreation:</b>										
Parks (and associated buildings)	13	13	13	13	13	13	13	13	13	13
Community centers	2	2	2	2	2	2	2	2	2	2

**Source**

Various city department records

This Page Left Intentionally Blank