

CITY OF
ELK GROVE
CALIFORNIA



ANNUAL FINANCIAL REPORT TO THE COMMUNITY

FISCAL YEAR ENDED JUNE 30, 2022





To the Residents of Elk Grove

The Finance Department is proud to present you with the City's Annual Financial Report to the Community for the fiscal year (FY) ended June 30, 2022. This report provides an overview of the City's financial condition and a brief analysis of where the City revenues are derived and where those dollars are spent.

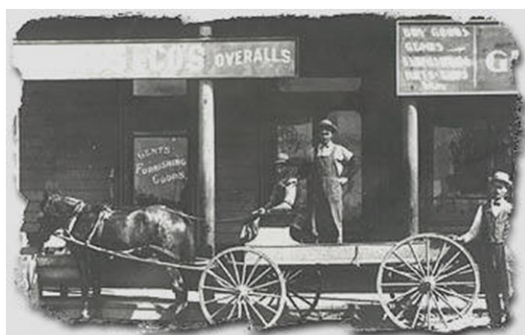
Most of the information in this report is drawn from the financial information appearing in the FY 2021-22 Annual Comprehensive Financial Report (ACFR). The ACFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was audited by the City's independent auditors, receiving an unmodified opinion. While the financial data in this document is derived from GAAP data, the statistical, economic and demographic data are taken from various sources and are not GAAP-basis data.

We hope you will find this information to be interesting and informative. We welcome your comments and suggestions for future reports. Both the ACFR and this document are available for viewing at the local public libraries, City Hall and on the City's website at http://www.elkgrovecity.org/city_hall/departments_divisions/finance/accounting/.

City Overview

In 1850, Elk Grove was established as a hotel and stagecoach stop. Located in the State of California 15 miles south of historic Sutter's Fort in Sacramento, Elk Grove became a crossroads for business, entertainment, mail service and agriculture and acted as a home base for gold miners in nearby communities. After the early gold rush, a close-knit community evolved with a distinctly rural and western lifestyle. Today, the City of Elk Grove is a growing and active community.

The City of Elk Grove incorporated under California law on July 1, 2000, as a general-law city. The City operates under the City Council/Manager form of government. The City Council is a five member body with a Mayor and four Council Members. The elected mayor serves a two-year term and is elected citywide (at-large). The four councilmember positions are also elected



citywide and each represent one of four council residency districts where the councilmember must reside and are elected from the residency district they represent rather than City wide.

The City provides a variety of services to its residents which include public safety, animal control, highways and streets, public improvements, planning and zoning, code enforcement, building permits, recycling and waste, drainage, and general administration.

According to the Bureau of Labor Statistics, the nation's unemployment rate has recovered from the effects of the COVID pandemic. From a historically high rate of 14.4% during the COVID pandemic shutdown, the Sacramento area unemployment rate is well below 4%.

Property valuations increased again during fiscal year 2021-22 by 8% in Sacramento County. Expectations are that the City will continue experiencing valuation increases in fiscal year 2022-23.

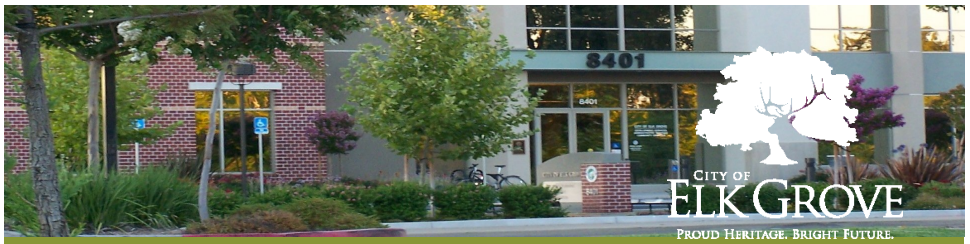
In fiscal year 2022, the City received American Rescue Plan Act stimulus funds revenue of \$10.9 million in fiscal year 2021-22. The City issued grants to small businesses and non-profits, granted funds to the Cosumnes Community Services District and Elk Grove Water District for critical capital and operational needs, began important infrastructure planning in the Southeast Industrial Area, and made many investments in City infrastructure and services to better serve the community and operate more efficiently.

Financial Highlights for Fiscal Year 2022

The City prepares two types of financial statements that measure its finances. The government-wide statements present a long-term perspective of the City's assets, liabilities and net assets, as well as its operations. The fund statements provide a short-term perspective of individual fund's assets, liabilities and fund balance, as well as the resources flowing in and out during the fiscal year. The General Fund is the main operating fund of the City.

Highlights of the City's financial activities for the fiscal year ending June 30, 2022 include:

- City's assets exceeded its liabilities at June 30, 2022 by \$1.5 billion
- Cash and investments comprised of \$321 million in the City treasury and over \$29 million of restricted cash held by fiscal agents.
- Net capital assets of over \$1 billion include the City's entire infrastructure in addition to all other City assets.
- As of June 30, 2022, the governmental funds reported combined fund balances of \$350 million, of which all is available to meet the City's current and future needs.



STATEMENT OF NET POSITION

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

	2022	2021
Assets		
Current and other assets	\$ 478,437,963	\$ 416,077,472
Capital assets	1,115,296,877	1,126,074,907
Total Assets	1,593,734,840	1,542,152,379
Deferred Outflow of Resources		
Deferred outflows or resources related to pensions	19,323,141	13,580,926
Deferred outflows or resources related to OPEB	10,262,091	10,241,353
	29,585,232	23,822,279
Liabilities		
Current and other liabilities	43,575,605	39,064,758
Long-term liabilities	56,930,559	72,736,714
Total Liabilities	100,506,164	111,801,472
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	2,193,069	1,426,508
Deferred inflows of resources related to OPEB	1,406,583	1,095,535
Deferred inflows of resources related to leases	3,230,993	-
	6,830,645	2,522,043
Net Position		
Net investment in Capital assets ¹	1,075,035,315	1,087,752,347
Restricted net position ²	255,036,872	292,185,610
Unrestricted net position	185,911,076	71,713,187
Total Net Position	\$ 1,515,983,263	\$ 1,451,651,144

¹Capital Assets less accumulated depreciation and the related debt.

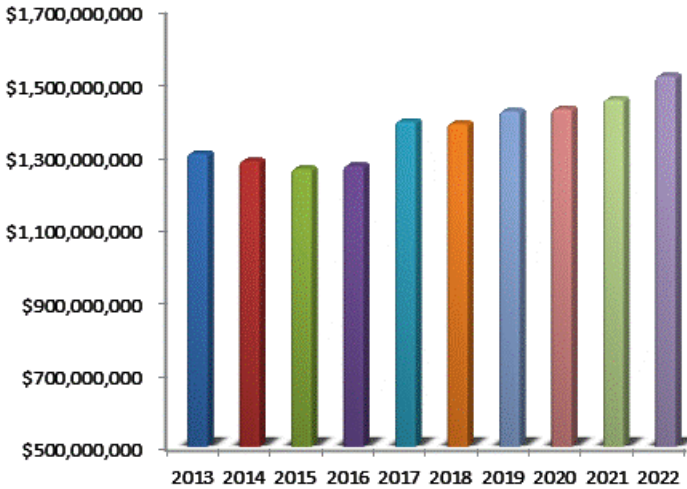
²Asset whose use is restricted by statute or law.

What are **your** priorities for our City?
WE WANT TO HEAR FROM YOU



*Detailed financial reports can be found in the City's FY 2021-22 ACFR available on the City's website at http://www.elkgrovecity.org/city_hall/departments_divisions/finance/accounting/, City Hall or local public libraries.

Total Net Position For Last Ten Years



As noted in the table on the prior page, capital assets are a significant investment for the City. This includes streets, roads, drainage systems and buildings. Since assets are reported net of depreciation, the net position change can decline as the depreciation exceeds reinvestment.

Accomplishments

In response to community input and to address essential services, the Elk Grove City Council placed Measure E on the November 2022 ballot at its July 27, 2022, meeting. Measure E is a one-cent transactions and use tax estimated to generate approximately \$21 million annually. The tax is a general tax subject to majority voter approval, and approximately 54% of Elk Grove's voters approved the measure. The tax will be effective April 2023 and will be shared between the City and the Cosumnes Community Services District.

In September 2021, the Sacramento Zoological Society and the City of Elk Grove entered into an Exclusive Negotiating Agreement to evaluate the creation of a new, modern zoological park in Elk Grove. Activities since that time include the completion of a feasibility study and an economic impact analysis, the retention of renowned zoo landscape architecture firm SHR Studios, as well as ongoing research and planning. The next steps in the process include developing a schematic design, a financing plan, and completing an environmental impact review (EIR). These steps are expected to take a least a year to complete. Formal consideration of the new zoo project by the Elk Grove City Council could occur as soon as late 2023. The City purchased approximately 60 acres for the new zoo assuming the project moves forward.

On April 14, 2021, the City Council approved an Annexation Agreement with the Sacramento Regional Transit District (SacRT) to annex the City's transit services and all operational, maintenance and administrative functions into SacRT and also a License Agreement with SacRT authorizing SacRT's use of the City's Corporation Yard for a period of eight years. The effective date of annexation was July 1, 2021. SacRT will be solely responsible for the administrative oversight and implementation of all fixed-route transit and ADA paratransit service (e-tran and e-van) operations, transit asset maintenance and replacement, route/schedule planning, customer service, operating and capital funding acquisition, and required financial management duties provided for the City.



STATEMENT OF ACTIVITIES

The Statement of Activities provides a record of the money received by the City and spent during the year. Explanations of specific Resources and Services are provided on the following pages. Overall, revenues have continued to increase and building increased which increases fees and receipts.

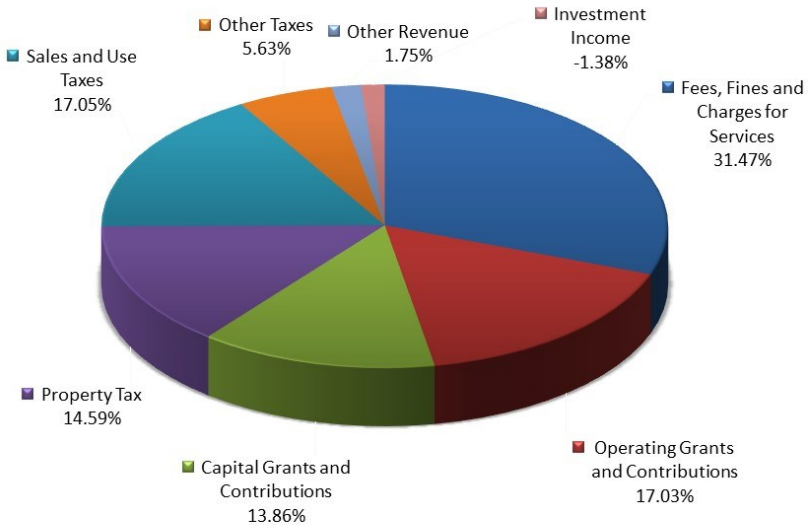
	<u>2022</u>	<u>2021</u>
<i>Revenues:</i>		
<i>Program revenues:</i> ¹		
Fees, fines and charges for services	\$ 71,074,831	\$ 52,774,387
Operating grants and contributions	38,450,333	45,992,929
Capital grants and contributions, debt proceeds	31,306,505	35,594,106
	<u>140,831,669</u>	<u>134,361,422</u>
<i>General Revenues:</i> ²		
Property taxes	32,945,031	31,196,810
Sales and use taxes	38,501,983	34,975,729
Other taxes	12,720,908	11,305,394
Other revenue	3,954,404	1,275,477
Investment Income	(3,134,652)	2,333,268
	<u>84,987,674</u>	<u>81,086,678</u>
Total Revenues	<u>225,819,343</u>	<u>215,448,100</u>
<i>Expenses:</i>		
General government	18,752,978	28,142,121
Public safety	29,476,434	52,721,661
Public ways and facilities	64,270,550	68,792,816
Community development	20,776,727	13,712,896
Interest on long-term debt	1,323,673	1,038,694
Recycling & Waste	2,446,042	3,046,795
Transit	15,585,396	10,027,298
Drainage	5,783,561	6,169,730
Revenue Neutrality	4,896,686	5,648,413
	<u>163,312,047</u>	<u>189,300,424</u>
Total Expenses	<u>163,312,047</u>	<u>189,300,424</u>
Change in Net Position	64,332,119	26,147,676
Net Position - Beginning, as restated	\$ 1,451,651,144	\$ 1,425,503,468
Net Position - Ending	<u>\$ 1,515,983,263</u>	<u>\$ 1,451,651,144</u>

¹Revenues derived directly from, fees, charges and grants
²All revenues that are not related to programs

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Revenues

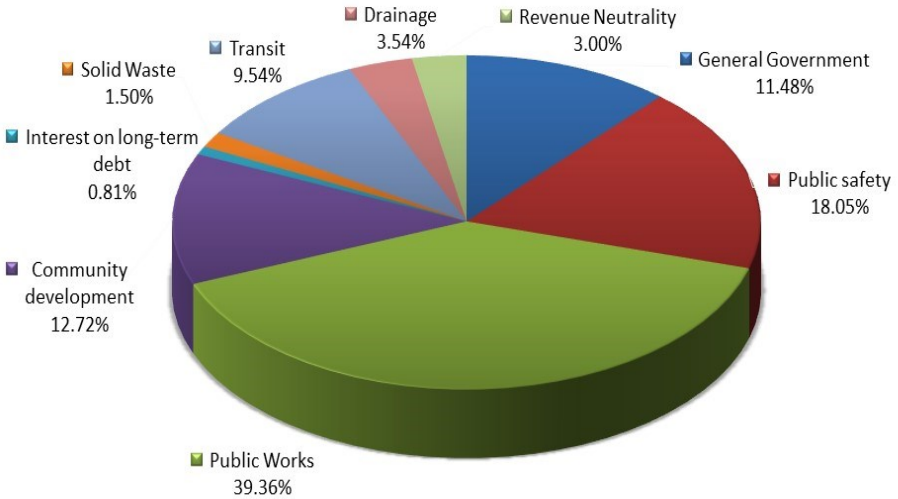
Where the money comes from...












- Fees, fines and charges for services - payments received directly by the City for services performed. Includes fees such as development services fees, code enforcement fines, utility payments and business licenses.
- Operating grants and contributions - monies received from parties outside the City and are generally restricted to one or more specific programs. Includes revenue types such as Transit funding, street funding like Measure A and assessments, vehicle licensing fees from the State and Police Grants from other governmental agencies for public safety.
- Capital grants and contributions - monies received for capital purposes, to purchase, construct, or renovate capital assets associated with a specific program. Includes items such as Measure A financing for constructing roadways and highway interchanges.
- Property taxes - 5 to 6% of property tax collected by the County and allocated to the City. The City further shares 40% of the property taxes with the County of Sacramento per the Revenue Neutrality agreement implemented at incorporation that decreases to 30% in FY 2022-23. See expense on the following page.
- Sales and use taxes - 1% sales tax collected on retail sales in the City.
- Other taxes - smaller taxes collected by the City such as Utility User Tax and Transient Occupancy Tax.
- Other revenue - interest earned on investments of idle funds and any revenue that does not readily fit into a previously listed category.

Expenses

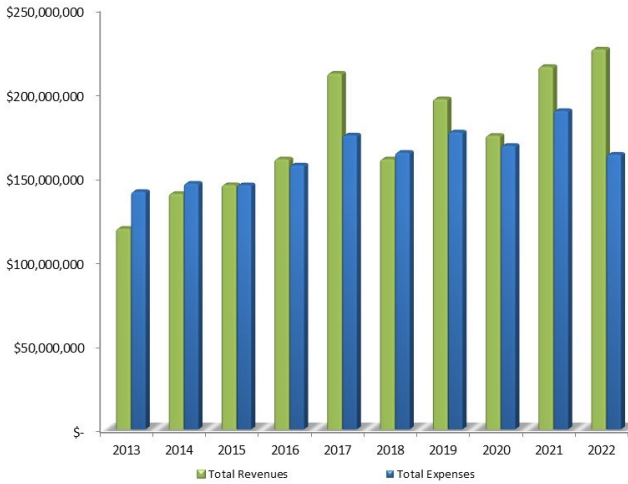
Where the money goes...



-  Public ways and facilities - reflects expenses associated with the repair, construction, acquisition and maintenance of public roads and bicycle overcrossing.
-  Public safety - includes all aspects of law enforcement.
-  Recycling and Waste - expenses associated with refuse and recycling.
-  Transit - represents expenses associated with the transfer of the transit operations from the City to Sacramento Regional Transit (SRTD), as well as administrative costs relating to SRTD's utilization of the city's buildings and property.
-  General government - includes expenses for the administrative offices including the City Council, City Manager, City Attorney, Finance, Human Resources, City Clerk, Insurance and general administration of the City.
-  Community development - reflects services provided to residents and businesses including Planning, Building, Code Enforcement, Communications and Youth Commission.
-  Revenue Neutrality - agreement between City and County at incorporation lasting 25 years to ensure the County remains revenue neutral by receiving a portion of the City's property tax.
-  Interest on long-term debt - indirect expense of interest paid on general long-term debt incurred by governmental capital improvements.
-  Drainage - maintenance of storm water drainage system.

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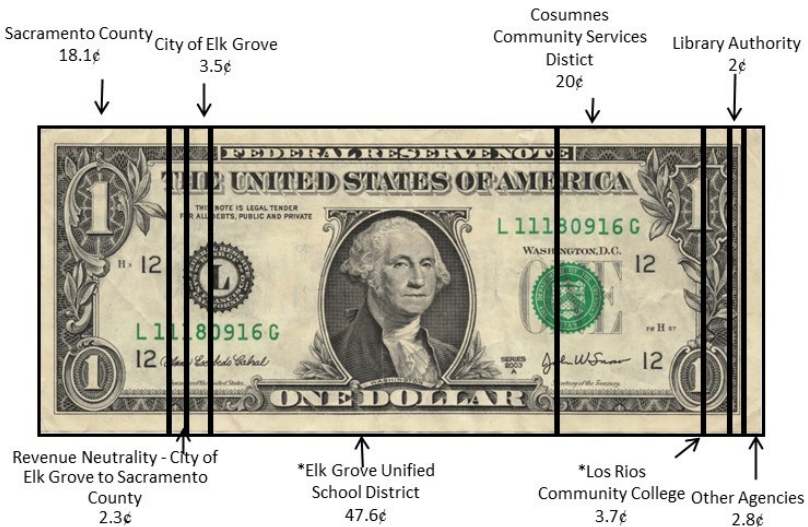
Total Revenues & Expenses Last Ten Fiscal Years



Operational expenses have balanced each year or have been less than operations, but capital projects typically span multiple years and may expend funds that have accumulated over time. The spike in revenue for 2017 is due to debt refinancing of the Laguna Ridge CFD 2005-1 that provided capital project funding to the City of \$72.7 million.

Where Your Property Tax Dollar Goes...

Revenue Neutrality—Property owners are levied one percent of appraised value for annual property tax payment. Of this payment, an average of 5.7 cents is allocated to the City annually to provide services. At incorporation, the City accepted that a portion of the property taxes generated within City would be retained by the County to hold them revenue neutral. As a result, the City nets only 60% of those funds (3.5 cents of total tax payment) as available for services. This agreement will phase out over time ending in fiscal year 2026.



*The dollar bill chart includes the Educational Revenue Augmentation Fund (ERAF) distribution.

City of Elk Grove Facts*

Population	176,972	Area	42 square miles
Elevation	45 feet	Miles of Streets	555
Miles of Sidewalk	899	Streetlights	13,885
Traffic Signs	23,404	Manholes	8,724
Feet of Pipe	2,189,685	Storm Drain Inlets	13,444
Sales Tax Rate	7.75%		

Averages

Low Temperature	24-44 degrees	Median Age	37.70 years
High Temperature	80-115 degrees	Median Home Price -	
Annual Precipitation	22" October to April		\$620,000

*Estimates

The City is the second largest incorporated city within Sacramento County.

Current City Council as of December 31, 2022



Bobbie Singh-Allen
Mayor



Sergio Robles
Councilmember
District 4



Darren Suen
Councilmember
District 1

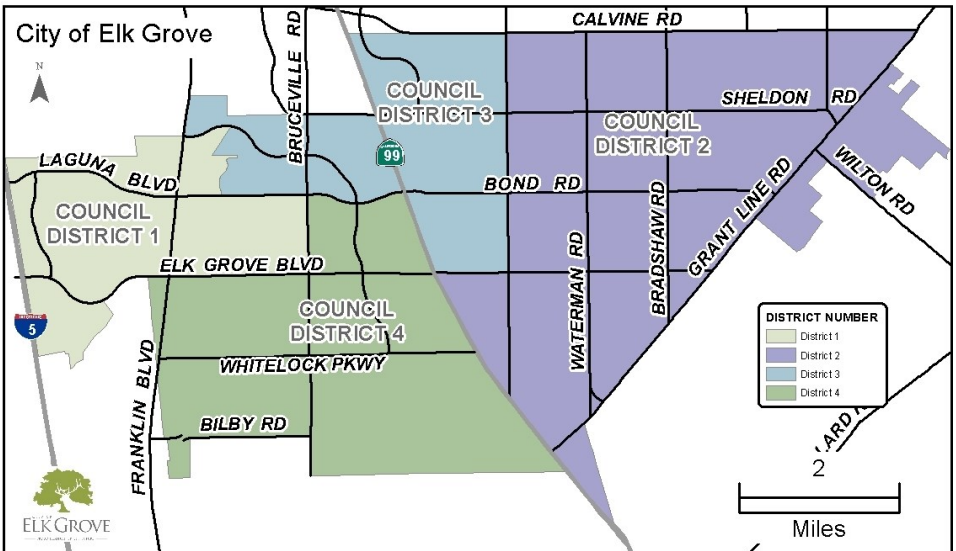


Rod Brewer
Councilmember
District 2



Kevin Spease
Vice Mayor
District 3

City of Elk Grove Council District Map



Visit the City of Elk Grove Website at

<http://www.elkgrovecity.org>

The City's website includes information about:

- Councilmembers
- Council Meetings
- Council Agenda
- Job Opportunities
- City Permits and Forms
- City Newsletter
- Department Contact Information
- Purchasing Bid Solicitation

Financial Information

- Budget
- Annual Financial Statements (ACFR)
- Elk Grove Annual Report to the Community
- Development Related Fee Information
- Mello Roos CFD's
- Development Impact Fee Deferral Program

Online Services

- City of Elk Grove Police Department EPGD Daily Watch Summary
- Transit Services
Purchase e-tran and e-van passes
e-tran Interactive Route Map
- GIS Mapping Tool
- Apply for Pet License
- Ask Elk Grove App-questions
- Submit & View Building Permits
- Apply or Renew Business Licenses
- Track your Code Enforcement Case
- Pay Utility Bill
- Apply for City Jobs



The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Elk Grove for its Popular Annual Financial Report for the fiscal year ended June 30, 2021. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to receive an Award for Outstanding Achievement in Popular Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

City of Elk Grove Finance Department

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