ANNUAL FINANCIAL REPORT
TO THE COMMUNITY
FISCAL YEAR ENDED JUNE 30, 2018
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, 2018. 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 2017-18 Comprehensive Annual Financial Report (CAFR). The CAFR 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 unqualified 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 CAFR 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.
(at-large) and each represent one of four council residency districts where the councilmember must reside within.

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, transit, solid waste, drainage, and general administration.

The region has continued to strengthen economically over the last year. Elk Grove has experienced improvement from a 4.1% unemployment rate in 2017 to a 3.6% unemployment rate in 2018.

Property assessed valuations increased again during fiscal year 2017-18, an increase of 5.4% in Elk Grove over the prior year. Expectations are that the City will continue with assessed valuation increases in fiscal year 2018-19.

The City realizes that development fuels job growth and the City is strategically planning for business market growth for the future. The South East Policy Area (SEPA) is the last large-scale development area within the urbanized portion of Elk Grove. It is approximately 1,200 acres in size. The City adopted in 2014, after two years of public outreach, research, and plan development, a Community Plan that emphasizes employment-oriented development. The Council adopted in 2015 as a Strategic Imperative: “to complete approval of the Southeast Policy Area and utilize the land use plan to develop a recruitment strategy for new or expanding businesses”. To further this end, the City is constructing a sewer lift station and road improvements that are needed for both development in South Laguna Ridge and employment oriented development in SEPA. These improvements are anticipated to be completed in fiscal year 2020.

The City entered into a new developer agreement for the Sterling Meadows housing development project consisting of 200 acres on the north side of Kammerer road. In this agreement the City will be deeded 22+ acres of this land by the developer for City use.

Financial Highlights for Fiscal Year 2018

The City prepares two types of financial statements that measure its finances differently. 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 of Elk Grove’s financial activities for the fiscal year ending June 30, 2018 include:

- Long-term liabilities increased by almost $21 million from last year. This increase is due to issuance of bonds for the construction of the Animal Shelter and purchase of surplus land for parks.
- Cash and investments comprised of $206 million in the City treasury and over $63 million of restricted cash held by fiscal agents.
- Net capital assets of $1.1 billion include the City’s entire infrastructure in addition to all other City assets.
- As of June 30, 2018, the governmental funds reported combined fund balances of $264 million, of which all is available to meet the City’s current and future needs.
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.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and other assets</td>
<td>$ 353,562,084</td>
<td>$ 353,012,147</td>
</tr>
<tr>
<td>Capital assets</td>
<td>1,112,912,742</td>
<td>1,094,113,166</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,466,474,826</td>
<td>1,447,125,313</td>
</tr>
<tr>
<td><strong>Deferred Outflow of Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred outflows or resources related to pensions</td>
<td>17,358,264</td>
<td>17,427,658</td>
</tr>
<tr>
<td>Deferred outflows or resources related to OPEB</td>
<td>187,105</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>17,545,369</td>
<td>17,427,658</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and other liabilities</td>
<td>40,538,973</td>
<td>35,927,980</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>55,898,046</td>
<td>33,344,988</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>96,437,019</td>
<td>69,272,968</td>
</tr>
<tr>
<td><strong>Deferred Inflows of Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred inflows of resources related to pensions</td>
<td>2,290,808</td>
<td>3,861,153</td>
</tr>
<tr>
<td>Deferred inflows of resources related to OPEB</td>
<td>192,459</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>2,483,267</td>
<td>3,861,153</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in Capital assets(^1)</td>
<td>1,143,555,186</td>
<td>1,081,889,164</td>
</tr>
<tr>
<td>Restricted net position(^2)</td>
<td>280,812,760</td>
<td>257,280,336</td>
</tr>
<tr>
<td>Unrestricted net position(^3)</td>
<td>(39,268,037)</td>
<td>52,249,440</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$ 1,385,099,909</td>
<td>$ 1,391,418,940</td>
</tr>
</tbody>
</table>

\(^1\)Capital Assets less accumulated depreciation and the related debt.

\(^2\)Asset whose use is restricted by statute or law.

\(^3\)The negative unrestricted net position is due to an increase in investments in capital assets.

*Detailed financial reports can be found in the City’s FY 2017-18 CAFR available on the City’s website at http://www.elkgrovecity.org/city_hall/departments_divisions/finance/accounting/, City Hall or local public libraries.
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.

**Goals and Accomplishments**

The City is constructing a full service aquatic center and common area improvements as part of the Civic Center Project located at Civic Center Drive and Big Horn Boulevard. The aquatics project includes a combination of pools designed to serve competitive aquatics, instruction, water fitness, and family recreation. The Commons is an outdoor activity and event space with art, bicycle, and pedestrian amenities. Completion anticipated in fiscal year 2020.

The Community Center includes a Senior Center and Veterans Hall combined with a large main hall. The project will provide separate venues for seniors and veterans to serve their respective programs. Construction of the Community Center began in March 2018 with completion anticipated in summer 2019.

The City is under construction for an animal shelter since the contract with County of Sacramento will expire June 30, 2019. The City is constructing a 21,850 square foot Animal Shelter on a 2.80 acre undeveloped parcel at the City’s Corporation Yard. The Animal Shelter will feature pet adoption services, spay/neutering clinics, licensing, education, and veterinary care. The new Shelter is expected to open in summer 2019.

Construction of the new Costco has been completed with a grand opening on September 27, 2018.

The City made an additional payment of almost $2.1 million to PERS to accelerate funding towards the unfunded liability. The City was able to make this payment because of budget savings during fy 2017-18. This accelerated payment will reduce future required unfunded liability payments.
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 because of the improved economy and increased building which increases fees and receipts, and expenditures were constrained.

### Revenues:

**Program revenues:**

- Operating grants and contributions: $35,091,925 (2018), $24,521,185 (2017)

**General Revenues:**

- Property taxes: $26,536,624 (2018), $25,049,945 (2017)
- Other revenue: $4,085,381 (2018), $5,890,462 (2017)

**Total Revenues:** $160,535,427 (2018), $211,471,474 (2017)

### Expenses:


**Total Expenses:** $164,471,182 (2018), $174,748,574 (2017)

### Change in Net Position

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position - Beginning</td>
<td>$1,389,035,664</td>
<td>$1,354,696,040</td>
</tr>
<tr>
<td>Net Position - Ending</td>
<td><strong>$1,385,099,909</strong></td>
<td><strong>$1,391,418,940</strong></td>
</tr>
</tbody>
</table>

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

*Detailed financial reports can be found in the City’s FY 2017-18 CAFR available on the City’s website at http://www.elkgrovecity.org/city_hall/departments_divisions/finance/accounting/, City Hall or local public libraries.*
Where the money comes from...

**Fees, fines and charges for services** - payments received directly by the City for services performed. This would include fees such as, development services fees, code enforcement fines, utility payments and business license.

**Operating grants and contributions** - monies received from parties outside the City and are generally restricted to one or more specific programs. This category 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. This would include 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 75% of the property taxes with the County of Sacramento per the Revenue Neutrality agreement implemented at incorporation that decreases to 70% in FY 2018-19. 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.
- Solid Waste - expenses associated with refuse and recycling.
- Transit - represents expenses associated with operation of public transportation, including busses and paratransit.
- 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 Services.
- 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.

*Detailed financial reports can be found in the City’s FY 2017-18 CAFR available on the City’s website at http://www.elkgrovecity.org/finance/accounting-division/cafr, City Hall or local public libraries.
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 been 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 the boundary would be retained by the County to hold them revenue neutral. As a result, the City nets only 25% of those funds (1.4 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
Elevation
Miles of Sidewalk
Traffic Signs
Feet of Pipe
Area
Miles of Streets
Streetlights
Manholes
Storm Drain Inlets

172,116
45 feet
899
25,000
2,122,948
42 square miles
545
14,195
9,215
16,192

Averages

Low Temperature
High Temperature
Annual Precipitation

24-44 degrees
80-115 degrees
22” October to April

Median Age 35.4 years

*Estimates
**Population has increased 1% over the previous year. The City is the second largest incorporated city within Sacramento County.

Current City Council as of December 31, 2018

Steve Ly
Mayor

Stephanie Nguyen
Vice Mayor

Darren Suen
Councilmember

Patrick Hume
Councilmember

Steven Detrick
Councilmember

City of Elk Grove Council District Map

City of Elk Grove
COUNCIL DISTRICT 3
COUNCIL DISTRICT 2
COUNCIL DISTRICT 1
COUNCIL DISTRICT 4
LAGUNA BLVD
BROUCEVILLE RD
ELK GROVE BLVD
LAGUNA BLVD
ELK GROVE BLVD
FRANKLIN BLVD
BILBY RD
WHITELOCK PKWY
WILTON RD
13TH AVE
MILES
DISTRICT NUMBER

District 1
District 2
District 3
District 4
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 (CAFR)
- 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 EGPD Daily Watch Summary
- Transit Services
  - Purchase e-tran and e-van passés
  - e-tran Interactive Route Map
- GIS Mapping Tool
- Ask Elk Grove App-questions
- 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, 2017. 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
8401 Laguna Palms Way
Elk Grove, CA 95758
(916)683-7111

www.elkgrovecity.org