

# Popular Annual Financial Report

Fiscal Year Ended June 30, 2017



City of Vacaville, California



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## About Our City

The City of Vacaville, incorporated in 1892, is located in northern Solano County roughly midway between San Francisco and Sacramento. It has a beautiful setting bordered by rolling hillsides, fruit orchards, and fertile farmland.

Residents can “day trip” to Lake Tahoe, the Napa wine country, and beaches due to the city’s central location, or enjoy a wide range of arts, entertainment, and outdoor recreational activities offered within the city.

Originally founded as an agricultural and rail shipping area, Vacaville has grown into a thriving and progressive city. It is the home to the largest single-location biotech drug manufacturing complex in the world, Genentech, as well as several other pharmaceutical and biotech companies. Despite its rapid growth, Vacaville remains a “small town at heart,” whose residents pride themselves on their high level of community involvement.



# 2017

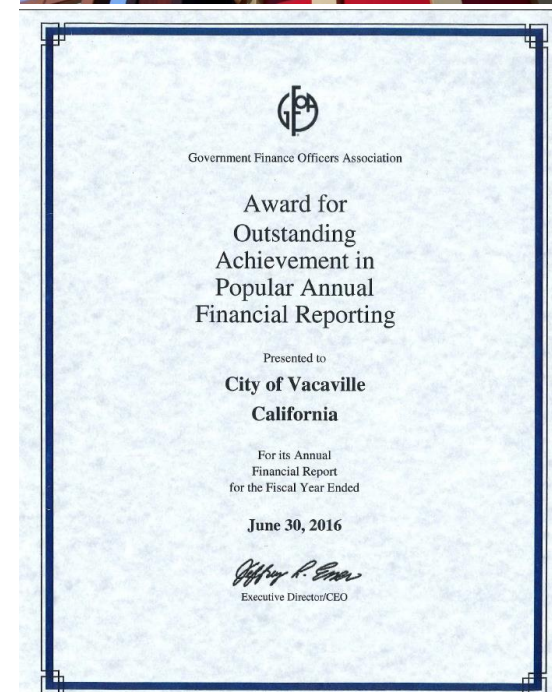
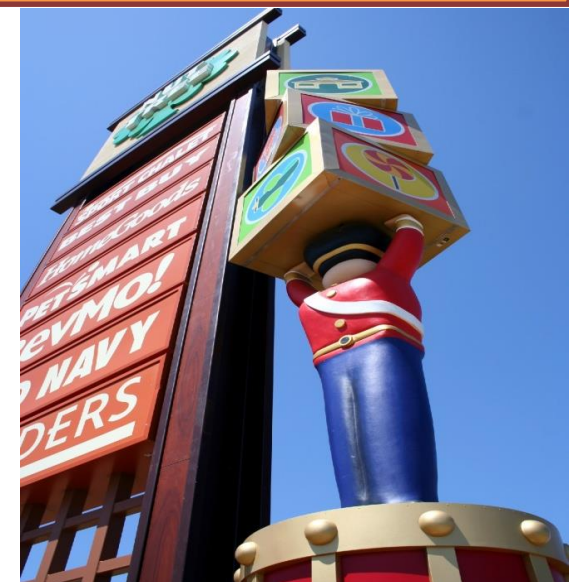
# A Message to Our Readers...

## To the Citizens of the City of Vacaville:

It is our pleasure to present you with the **Popular Annual Financial Report** (PAFR) of the City of Vacaville for the fiscal year ending June 30, 2017. The purpose of the PAFR is to increase awareness throughout the community of the City's finances. The report provides a brief analysis of the City's revenue sources and where those dollars are spent as well as an overview of the City's financial condition. It is our goal that this report is easy to read and understand.

This report contains condensed and simplified financial information from the City's **Comprehensive Annual Financial Report** (CAFR), which can be viewed at City Hall or on the City's website at [www.cityofvacaville.com](http://www.cityofvacaville.com). The CAFR is a more complete, independently audited financial presentation prepared in accordance with generally accepted accounting principles (GAAP). The City received an unmodified (clean) opinion on its CAFR and we're proud to say that the City's CAFR has been awarded a **Certificate of Achievement for Excellence in Financial Reporting** by the Government Finance Officers Association (GFOA) for each of the past 26 years. Only the financial data for the primary government are included in the PAFR with the main focus being on the City's governmental activities. Except for the data presented in the General Fund Highlights on page 9, the financial numbers are presented using the accrual method of accounting similar to the private sector. Additionally, information is presented in a summarized manner and certain financial statements and note disclosures required by GAAP are omitted.

We are pleased to announce that the City has received the **Award for Outstanding Achievement in Popular Annual Financial Reporting** the last three years for the PAFR and hope you will find the report to be interesting and informative. We welcome any feedback, comments, or concerns regarding the information included. We would also like to thank the Mayor, City Council, and City Manager for their unfailing support in maintaining the highest standards of professionalism in the management of the City's finances.



# 2017

# Vacaville's Profile

Founded as Vacaville December 13, 1851  
Incorporated as Vacaville August 9, 1892

## Geography

Land 28.37 square miles  
Coordinates 38°21'14"N 121°58'22"W

## Government

Form of Government Council-Manager  
Mayor 4-Year Term  
4 City Council Members 4-Year Term,  
Election Staggered  
Every 2 Years

## Demographic and Economic Statistics

Population 98,456  
% Male 51.9%  
% Female 48.1%  
Median Age 37.3  
Median Household Income \$76,000  
High school graduate or higher, Age 25+ 88.4%  
Bachelor's degree or higher, Age 25+ 22.2%

*Source: California State Department of Finance, U.S. Census Bureau*

## Unemployment Rate

Nation 5.1% (January 2017)  
California 5.5% (January 2017)  
Solano County 5.7% (January 2017)  
Vacaville 4.5% (January 2017)

*Source: U.S. Bureau of Labor Statistics, California Employment Development Department  
Rate is not seasonally adjusted*

## List of Elected and Appointed Officials June 30, 2017

### Elected Officials

Mayor	Len Augustine
Vice Mayor	Dilenna Harris
Council Member	Curtis Hunt
Council Member	Ron Rowlett
Council Member	Mitch Mashburn
City Treasurer	Jay Yerkes
City Clerk	Michelle Thornbrugh

### Appointed Officials

City Manager	Jeremy Craig
City Attorney	Melinda Stewart
Assistant City Manager	Aaron Busch
Fire Chief	Kristian Concepcion
Chief of Police	John Carli
Director of Public Works	Shawn Cunningham
Director of Community Development	Barton Brierley
Director of Housing	Emily Cantu
Director of Community Services	Kerry Walker
Director of Administrative Services	Dawn Leonardini
Director of Utilities	Royce Cunningham

# 2017

## Top 25 Sales Tax Producers For Fiscal Year 2016-2017

Best Buy	Quik Stop Market
Buick GMC of Vacaville	Ross
Camping World RV	Sams Club
Coach	Shellworth Chevrolet Oldsmobile
Costco	Simonton Windows
Dodge Chrysler Jeep of Vacaville	Target
Genentech	Toyota Vacaville
Home Depot	Vaca Valley Travel Center
Kohls	Vacaville Honda/Mazda
Lowes	Vans
Michael Kors	Walmart
Nike Factory	Winco Foods
Nissan of Vacaville	

Source: Hinderliter, de Llamas & Associates, State Board of Equalization  
Firms listed alphabetically

## Top 10 Principal Employers

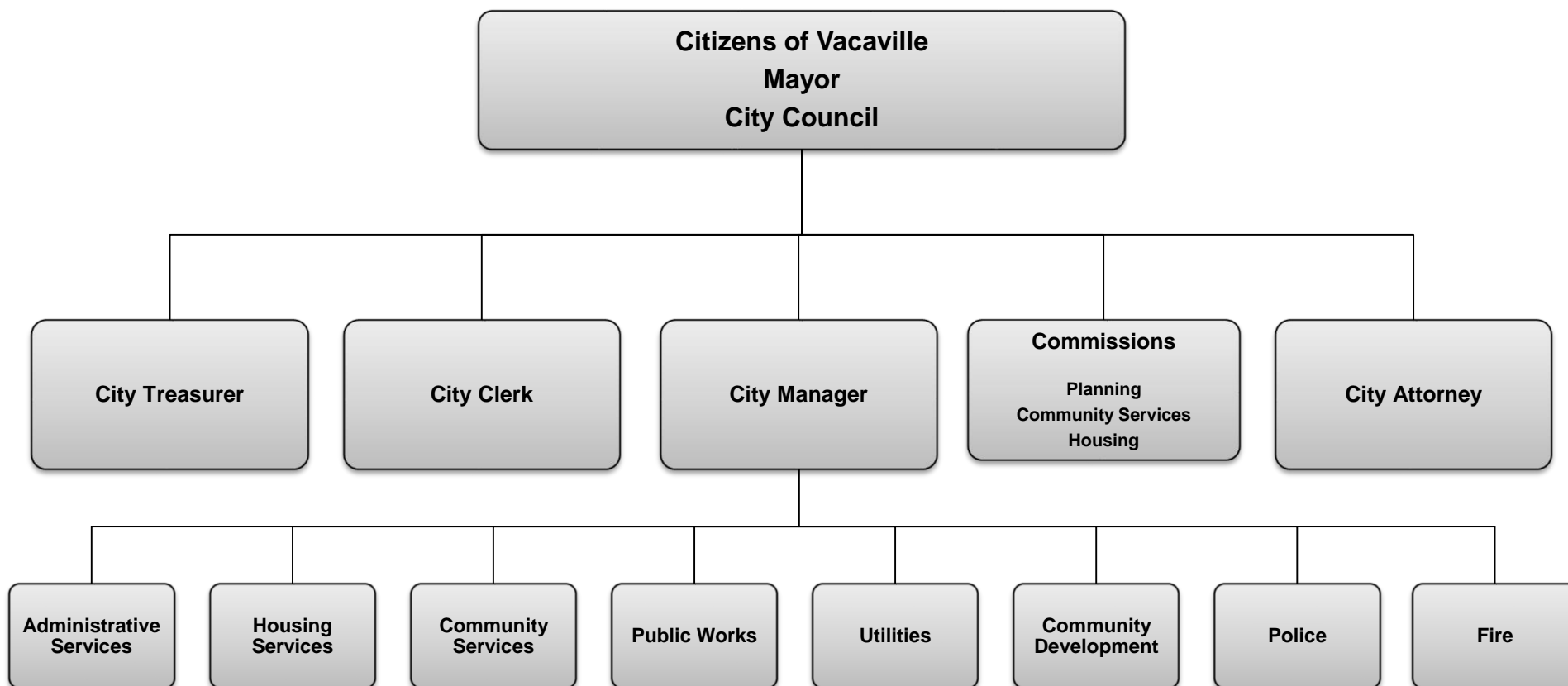
Kaiser Permanente
Genentech
Walmart
Alza Corporation
M & G Duravent
Mariani Packing Co Inc.
Costco Wholesale Corporation
Sam's West Inc.
The Home Depot
Northbay Distribution Inc.

Source: Administrative Services – Business License Section  
Excludes Government Entities



# 2017

# CITY ORGANIZATION



# 2017



## Where the Money Comes From – Governmental Activities

Governmental activities are mostly supported by taxes, such as property and sales taxes, and intergovernmental revenues, primarily federal grants. The General Fund, the chief operating fund used to support the regular day-to-day operations of the City, is included in governmental activities.

In 2017, revenues from the City's governmental activities totaled \$130,993,349. A little more than half of this amount, 50.4%, was from property and sales tax. In total, revenue decreased by over \$13.4 million or 9.3% when compared to 2016. Although property tax revenue continued to increase due to rising assessed property values, sales tax revenue decreased compared to the previous year mainly due to the one-time cleanup payment received in 2016 as part of the state triple-flip tax swap unwinding.

The following is a list of the City's major revenue sources:

**Property taxes** – Property taxes are the largest source of operating revenues for the governmental funds. The assessed valuation of the property in the City is determined by the Solano County Tax Assessor, which levies a base tax at the rate of 1% of assessed valuation.

**Sales and Use taxes** – Sales and use taxes are imposed on retail transactions and are collected and administered by the state. The City receives 1% of all taxable sales within City limits and a pro-rata share of use taxes which are “pooled” at the state and county level. The total tax rate in Vacaville is 7.625%. Measure M revenues, an additional ¼ cent transactions tax approved in 2012, are included in this category.

**Franchise taxes** – These revenues come from fees collected on electric and natural gas utilities and sanitary and telecommunication franchises operating within the City. The fees are based on gross receipts.

**Excise taxes** – This revenue is from Measure I. The tax was initially approved by voters in 1989 to pay for construction of the Ulatis Cultural Center and provide an additional source of funding for services such as street maintenance, cultural events, and recreation activities. The continuation of Measure I was approved by voters in November 2012 and proceeds are used to fund general City services and facilities.

**Charges for services** - These revenues are collected for services rendered to the public such as recreational classes.

**Operating grants and contributions** – Funding received from other governments and organizations for the purpose of financing the day-to-day costs of a specific program. The City's Housing Choice Voucher Program, first-time homebuyer programs, and motor vehicle fuel tax allocated by the state for public street purposes are examples.

**Capital grants and contributions** – Funding received from other governments and organizations for financing the purchase of capital assets for a specific program. Improvements and additions to the City's infrastructure and equipment are funded from this revenue source.

**Other taxes** - This category includes the Transient Occupancy Tax (TOT), which is imposed on lodging facilities such as hotels and motels, and the Business License Tax, which is an annual tax on local businesses based on a flat-fee schedule. The TOT tax rate is currently 8%.

**Investment income** – The City pools its available cash from various funds and invests in instruments allowed by the City's investment policy. Investment earnings are dependent on market conditions and the cash available to invest and earnings are allocated to various funds proportionate to their cash balances.

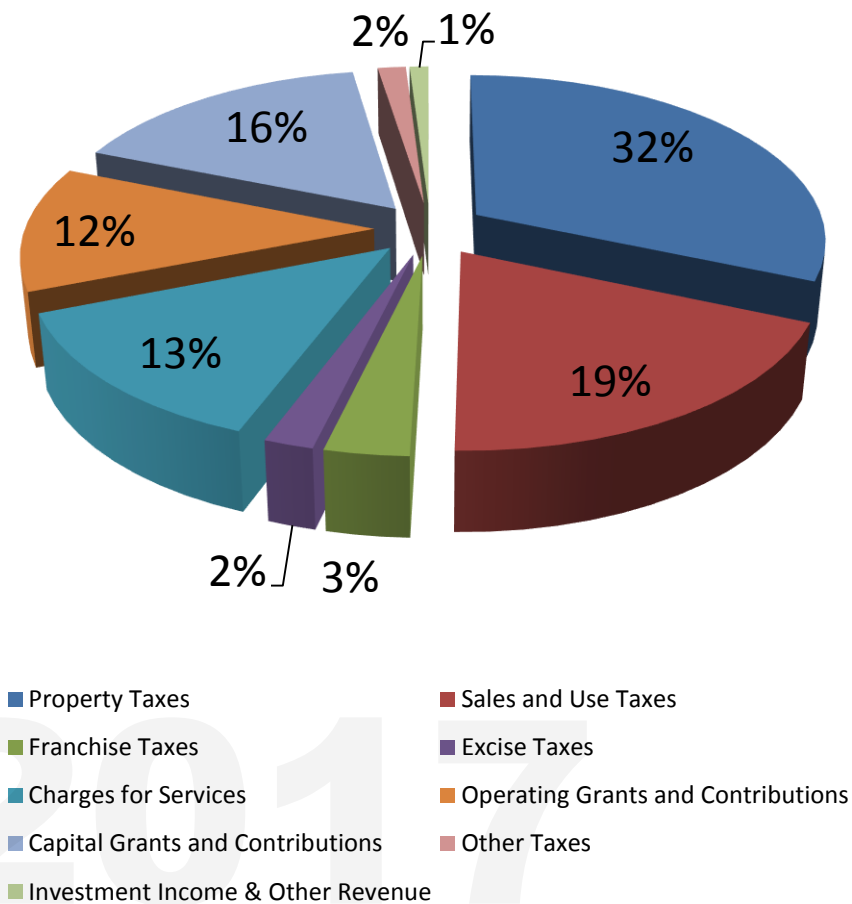
**Other revenue** – This category includes revenues that are not otherwise categorized in the charts on the following page.

# WHERE THE MONEY COMES FROM

The following charts and table summarize the revenues of the City’s governmental activities and how current year revenues compare to amounts received in previous years. Like all governments, the City must raise funds to pay for the services it provides to its citizens and businesses. These funds are raised through taxes, charges, and grants. Property taxes and sales and use taxes are consistently the two largest revenue sources for the governmental funds. In 2017, capital grants and contributions decreased due a reduction in developer contributed infrastructure. The decline in operating grants was primarily due to a reduction in funding from HUD for the housing choice voucher/section 8 programs.

2017 Governmental Activities Revenue

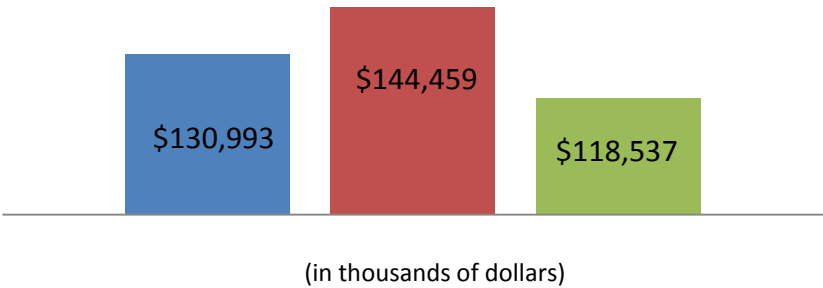
(full accrual)



Revenue by type (in thousands of dollars)	2017	2016	2015
Property taxes	\$41,210	\$37,868	\$35,283
Sales and use taxes	24,855	26,632	23,627
Franchise taxes	4,366	4,045	3,925
Excise taxes	2,572	2,617	2,407
Charges for services	17,431	16,592	15,634
Operating grants	15,828	18,784	16,520
Capital grants	21,442	34,107	15,611
Other taxes	1,969	1,988	1,737
Investment income	887	967	875
Other revenue	433	859	2,938
Total	\$130,993	\$144,459	\$118,537

Fiscal Year Comparison

■ 2017 ■ 2016 ■ 2015





## Where The Money Goes – Governmental Activities

Now that we've covered how the activities of the governmental funds are supported, let's take a look at the services that are provided with these funds. The City provides a wide range of services, including police and fire protection, street and park maintenance, and recreational and cultural opportunities. Since our focus in this section is on the expenses of the governmental funds, financial information on the City's transportation, sewer and water services have been excluded since they are business-type activities. In 2017, expenses from governmental activities totaled \$125,763,770.

The following is a list of the City's governmental expenses by function:

**General government** – Expenses are related to the administration of the City's affairs. These expenses include the City Council, City Treasurer, City Manager, City Attorney, Administrative Services, Planning and Building.

**Public safety** – Expenses incurred for Police and Fire services.

**Public works** – Expenses for Public Works include those related to the design, construction, maintenance, and operation of public facilities and infrastructure within the City.

**Community services** – Expenses incurred to provide recreational and cultural activities, maintain parks, and support educationally enriching activities for the City's youth.

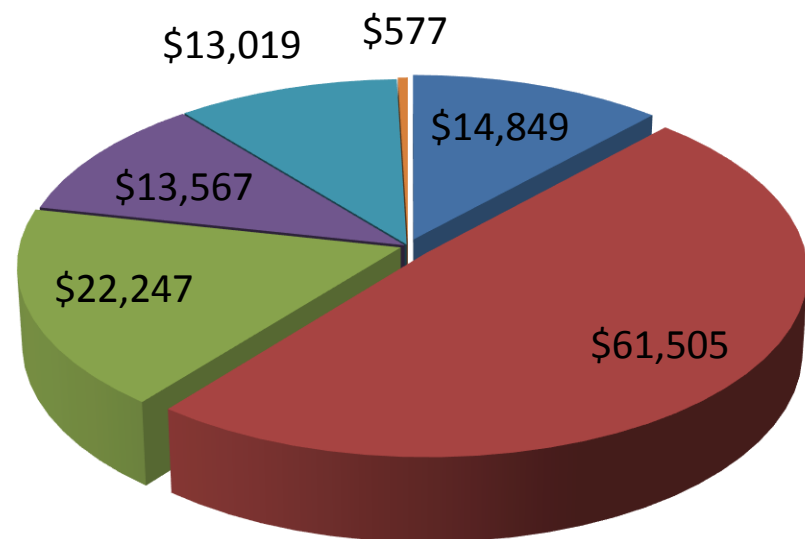
**Housing** – Expenses are related to the City's operation of programs addressing housing needs, neighborhood revitalization, and projects designed to promote economic growth and eliminate blight.

**Interest on long-term debt** – Interest expenses incurred for outstanding debt obligations.



### 2017 Governmental Activities Expenses

(full accrual)



- |                      |                              |
|----------------------|------------------------------|
| ■ General government | ■ Public safety              |
| ■ Public works       | ■ Community services         |
| ■ Housing            | ■ Interest on long-term debt |

(Amounts expressed in thousands of dollars)

## WHERE THE MONEY GOES

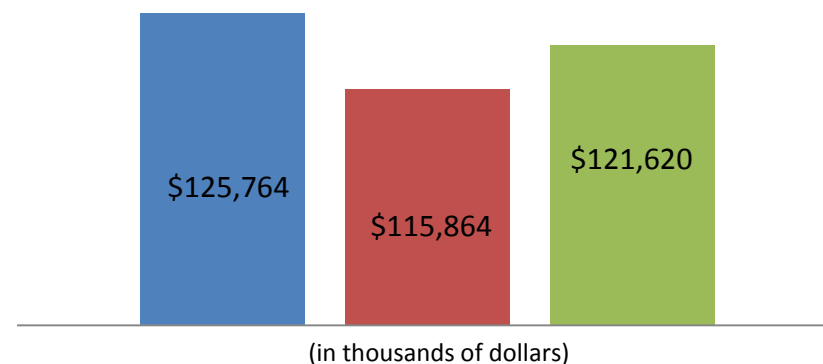
The following table and chart summarize the expenses of the City's governmental activities for the current fiscal year along with the previous two fiscal years presented for comparison. Expenses increased by approximately \$9.9 million from fiscal year 2016 to 2017 due mainly to salary and benefit costs. The filling of vacant positions and addition of several new positions – public safety dispatchers, recreation coordinator – contributed to the rise in salary costs, while the continual increase in healthcare and pension costs resulted in higher benefit expenses. Additionally, street maintenance costs rose in Public Works due to a slurry seal project.

Expense by Type (in thousands of dollars)	2017	2016	2015
General government	\$14,849	\$11,350	\$10,997
Public safety	61,505	58,052	52,077
Public works	22,247	19,989	21,159
Community services	13,567	12,507	12,259
Housing	13,019	13,303	24,623
Interest on long-term debt	577	663	505
<b>Total</b>	<b>\$125,764</b>	<b>\$115,864</b>	<b>\$121,620</b>



Fiscal Year Comparison

■ 2017 ■ 2016 ■ 2015



## GENERAL FUND FINANCIAL HIGHLIGHTS

The General Fund is the main operating fund of the City. It is used to account for all revenues and expenditures that are not required to be reported in another fund and is the only fund that every government has. **The data in this section is presented with a focus on current financial resources;** i.e., the City's ability to pay current bills with existing resources.

### FUND BALANCE (Assets – Liabilities)

The chart on the top right illustrates the City's fund balance over the last three years. The total fund balance for the General Fund at the end of fiscal year 2017 was \$33,024,068, an increase of over \$2.7 million from the previous year and the fifth consecutive year fund balance has gone up. Since there are limitations on how these resources can be spent, the City's fund balance is categorized as follows:

**Nonspendable** – Amounts that are not in a spendable form or are required to be maintained intact. For 2017, this amount represents the unpaid balance from a \$3 million loan to be repaid by the successor agency to the City's general fund over the next two fiscal years.

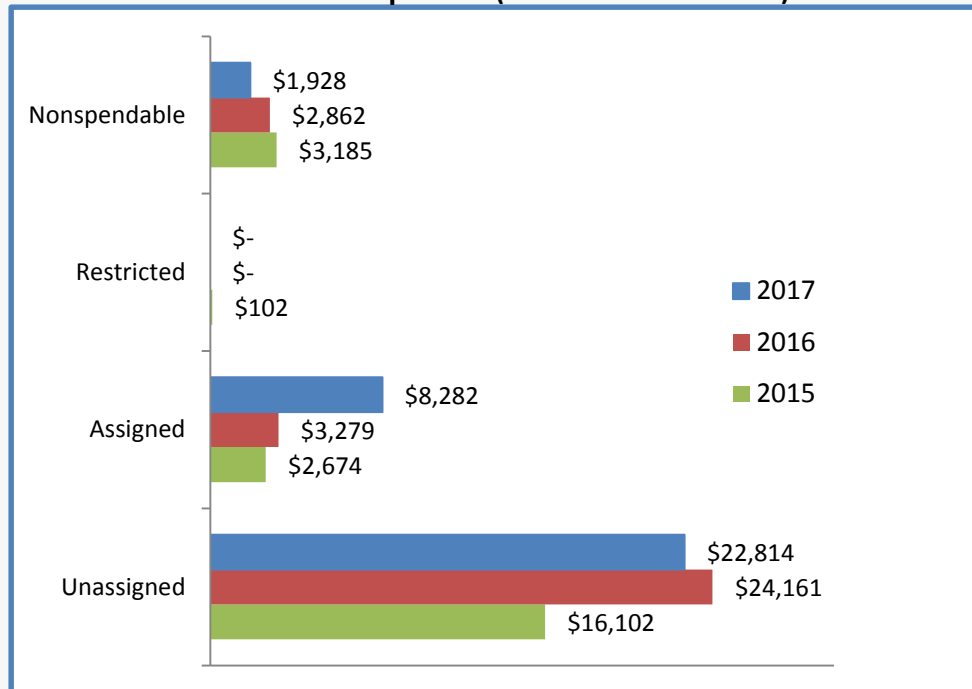
**Restricted** – Resources that are legally restricted by outside parties (grantors, bondholders) or enabling legislation. For the current fiscal year, there were no general fund resources in this category.

**Assigned** – Amounts the City intends to use for a specific purpose. Examples include funding to be used for capital improvement projects and replacement of the City's aging fleet vehicles. The increase in the current year is primarily due to funding designated for the City's various capital improvement projects.

**Unassigned** – Amounts that are available for any purpose.

The amounts in the **Assigned** and **Unassigned** categories, \$31.1 million at the end of 2017, can be viewed as the City's emergency operating reserve. As a general rule, this reserve should be no less than two months or 17% of regular operating revenues or expenditures. The City's emergency reserve at June 30, 2017 was 38.3% of General Fund expenditures.

Fiscal Year Comparison (in thousands of dollars)



Revenues vs. Expenditures (in thousands of dollars) for Fiscal Year 2017

General fund revenues	\$83,790
General fund expenditures	(81,074)
<b>Excess revenues</b>	<b>2,716</b>
Transfer of public safety district funds and traffic safety fines into the general fund	3,062
Transfer of funds from the general fund for capital improvement projects, building and street development, and park maintenance	(3,103)
Other	46
<b>Net increase in fund balance</b>	<b>\$2,721</b>



## STATEMENT OF NET POSITION

Statement of Net Position (in thousands of dollars)	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
In this section, we will look at a condensed version of the City's Statement of Net Position.						
Current and other assets	\$161,890	\$146,085	\$157,218	\$153,123	\$319,108	\$299,208
Capital assets	443,103	432,513	349,758	356,519	792,861	789,032
<b>TOTAL ASSETS (WHAT WE HAVE)</b>	<b>604,993</b>	<b>578,598</b>	<b>506,976</b>	<b>509,642</b>	<b>1,111,969</b>	<b>1,088,240</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>31,475</b>	<b>16,191</b>	<b>6,524</b>	<b>3,270</b>	<b>37,999</b>	<b>19,461</b>
Current and other liabilities	239,441	207,760	51,241	54,435	290,683	262,195
Loans, bonds, and capital lease obligations	14,492	13,336	144,209	153,819	158,701	167,155
<b>TOTAL LIABILITIES (WHAT WE OWE)</b>	<b>253,933</b>	<b>221,096</b>	<b>195,450</b>	<b>208,254</b>	<b>449,384</b>	<b>429,350</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>6,387</b>	<b>8,820</b>	<b>1,425</b>	<b>2,019</b>	<b>7,812</b>	<b>10,839</b>
<b>NET POSITION:</b>						
Net investment in capital assets	428,611	419,177	205,549	202,700	634,160	621,877
Restricted	78,935	76,780	0	0	78,935	76,780
Unrestricted	(131,398)	(131,084)	111,076	99,939	(20,322)	(31,145)
<b>TOTAL NET POSITION</b>	<b>\$376,148</b>	<b>\$364,873</b>	<b>\$316,625</b>	<b>\$302,639</b>	<b>\$692,773</b>	<b>\$667,512</b>

The City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$693 million at the close of fiscal year 2017, an increase of about \$25 million from fiscal year 2016. The increase in net position can be attributed to increases in property tax revenues in the governmental activities and water-related revenues in the business-type activities. The City's unrestricted net position, which may be used to meet ongoing obligations to its citizens and creditors, has been negative since the implementation of GASB 68 – reporting of the long-term obligation for pension benefits – in fiscal year 2015.

**Current and other assets** – Includes cash, assets that are expected to convert to cash, be sold, or consumed within one year, and long-term receivables.

**Capital assets** – The City's long-term investment in land, buildings, infrastructure, equipment, and other improvements. These capital assets are used to provide services to the community; consequently, these assets are not available for future spending.

**Deferred outflows of resources** – City contributions made after the measurement date of the new net pension liability and deferred pension actuarial changes.

**Current and other liabilities** – Amounts owed by the City excluding loans and bonds payable and capital lease obligations.

**Loans, bonds, and capital lease obligations** – The proceeds from these debt issues were used to finance large projects such as building construction and renovation and major equipment purchases.

**Deferred inflows of resources** – Includes deferred pension actuarial changes

**Net Position** – Total assets and deferred outflows of resources minus liabilities and deferred inflows of the City.

**Net investment in capital assets** – Represents amount invested in capital assets less accumulated depreciation and any outstanding debt used to acquire these assets. The resources needed to repay this debt must be provided from other sources since the capital assets themselves can not be used to liquidate this debt.

**Restricted** – Resources subject to externally imposed restrictions.

**Unrestricted** – Resources available to provide services to citizens and meet ongoing obligations to creditors if there were no additional resources or revenue available. The amount is negative due to the reporting of the long-term pension liability.

## STATEMENT OF ACTIVITIES

The income statement for the City of Vacaville, known as the **Statement of Activities**, illustrates how the City's net position changed during fiscal year 2017. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The revenue sources and the services and programs provided with the funding were discussed earlier in this report for the governmental activities. The **Statement of Activities** illustrate how much of the City's operations are paid directly from program revenues raised or collected from customers and the portion funded through taxes.

The City's **business-type activities** (water and sewer operations, City Coach) are designed to recover costs from customers and rely heavily on fees charged to the recipients of the service. As shown in the table, a majority of the revenues for the business-type activities, unlike the governmental activities, are from program revenues.

•Charges for service – The increase in business-type activities was primarily due to an increase in water consumption and water service rates.

•Capital grants and contributions – Although capital grants and contributions increased for business-type activities due to increased water connection fee revenue, total revenues declined due to a decrease in developer impact fee revenue and developer contributed infrastructure.

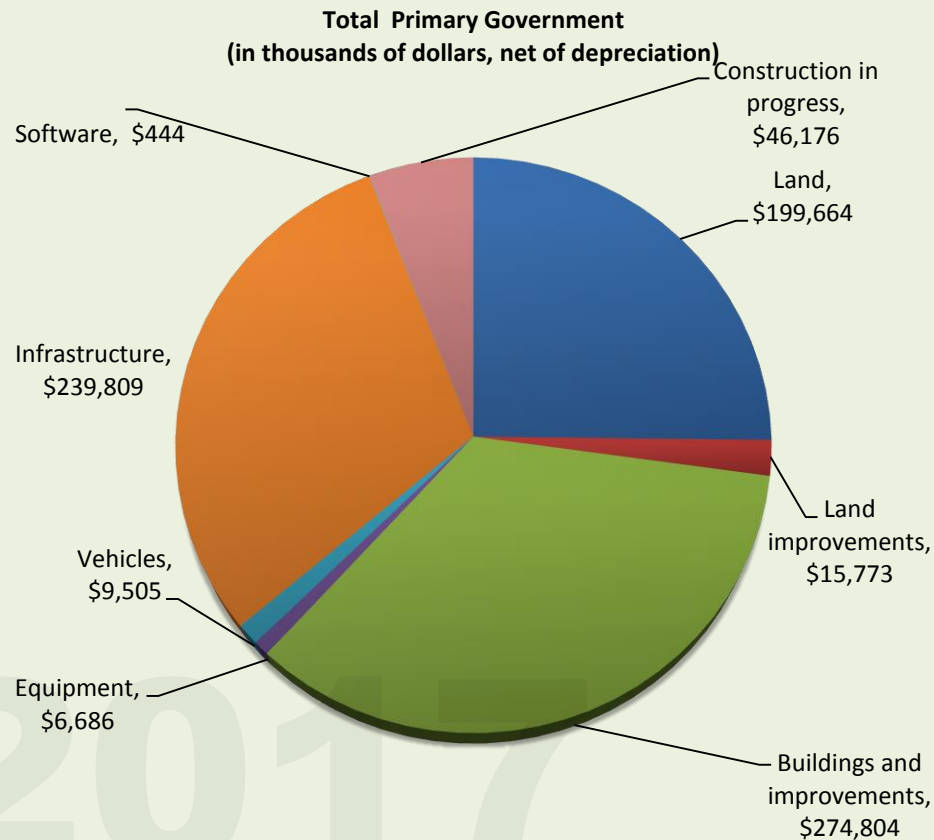


Changes in Net Position (in thousands of dollars)	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for service	\$17,431	\$16,592	\$52,736	\$50,112	\$70,167	\$66,704
Operating grants & contributions	15,828	18,784	1,903	1,856	17,731	20,640
Capital grants & contributions	21,442	34,107	19,099	15,228	40,541	49,335
General revenues:						
Property taxes	41,210	37,868	98	97	41,308	37,965
Sales and use taxes	24,855	26,632	-	-	24,855	26,632
Franchise taxes	4,366	4,045	-	-	4,366	4,045
Other taxes	4,541	4,605	-	-	4,541	4,605
Investment income	887	967	91	769	978	1,736
Other revenue	433	859	701	3,101	1,134	3,960
<b>Total revenues</b>	<b>130,993</b>	<b>144,459</b>	<b>74,628</b>	<b>71,163</b>	<b>205,621</b>	<b>215,622</b>
Expenses						
Governmental activities	125,764	115,864	-	-	125,764	115,864
Business-type activities:						
Sewer	-	-	32,908	29,548	32,908	29,548
Water	-	-	18,021	18,318	18,021	18,318
Transit	-	-	3,667	3,553	3,667	3,553
<b>Total expenses</b>	<b>125,764</b>	<b>115,864</b>	<b>54,596</b>	<b>51,419</b>	<b>180,360</b>	<b>167,283</b>
Transfers	2,063	(341)	(2,063)	341	-	-
Change in net position	7,292	28,354	17,969	20,085	25,261	48,339
Extraordinary item	-	1,582	-	-	-	1,582
Prior period adjustment	3,983	-	(3,983)	(2,895)	-	(2,895)
Net position – July 1,	364,873	335,037	302,639	285,449	667,512	620,486
<b>Net position – June 30,</b>	<b>376,148</b>	<b>364,873</b>	<b>316,625</b>	<b>302,639</b>	<b>692,773</b>	<b>667,512</b>

## CAPITAL ASSETS – WHAT WE OWN

As of June 30, 2017, the value of the City's capital assets was \$793 million, an increase of about \$3.8 million from the previous fiscal year. Major events during the fiscal year include:

- Completion of the lab expansion phase of the Tertiary Project.
- Completion of additional surface parking at the intermodal station.
- Completion of Rocky Hill Trail.
- Infrastructure improvements in the vicinity of Vacaville High School, Vacaville Christian High School, and Foxboro Elementary School.



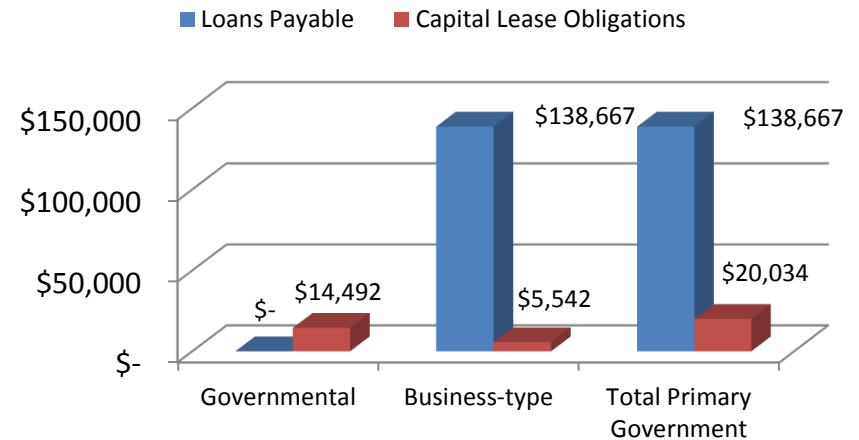
## LONG-TERM DEBT – LOANS PAYABLE AND CAPITAL LEASE OBLIGATIONS – WHAT WE OWE

At the end of fiscal year 2017, the City had total debt outstanding of \$159 million. A majority of this debt, \$139 million, is from the State Water Revolving Fund program and was used to renovate and expand the Easterly Wastewater Treatment Plant and fund the tertiary improvements.

Debt service payments in fiscal year 2017 were lower than fiscal year 2016. In 2016, the City paid off the remaining \$780 thousand debt service obligation used to fund the purchase of detention basin land in the mid-2000s and made a one-time \$850 thousand payment towards its Siemens capital lease. In 2017, the City entered into a new \$300 thousand capital lease for a sewer television inspection van.

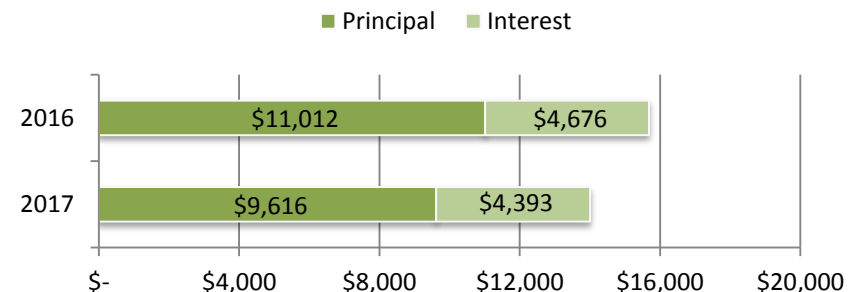
### Long-Term Debt

(in thousands of dollars)



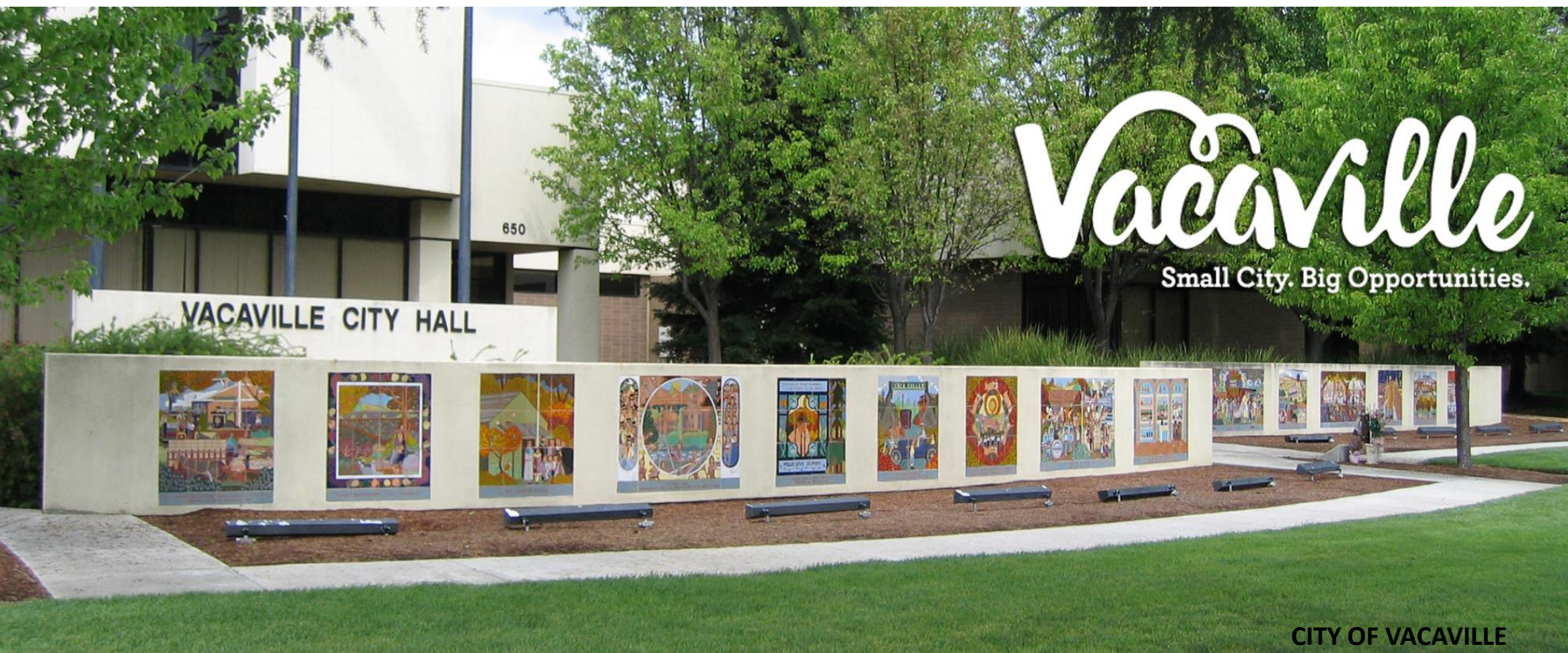
### Debt Service Payments

(in thousands of dollars)





**POPULAR ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2017**



**CITY OF VACAVILLE**  
**DEPARTMENT OF**  
**ADMINISTRATIVE SERVICES**  
650 Merchant Street  
Vacaville, CA 95688  
[www.cityofvacaville.com](http://www.cityofvacaville.com)