

AGENDA

VALLEJO CITY COUNCIL SPECIAL MEETING – 4:00 P.M.

VALLEJO CITY COUNCIL AS GOVERNING BOARD OF THE SUCCESSOR AGENCY TO THE FORMER VALLEJO REDEVELOPMENT AGENCY SPECIAL MEETING – 6:30 P.M.

VALLEJO HOUSING AUTHORITY REGULAR MEETING – 6:45 P.M.

VALLEJO CITY COUNCIL REGULAR MEETING – 7:00 P.M.

MAYOR
Bob Sampayan

CITY COUNCIL
Vice Mayor, Katy Miessner
Pippin Dew-Costa
Jesus “Jess” Malgapo
Robert H. McConnell
Hermie Sunga
Rozzana Verder-Aliga, EdD



**John F. Kennedy Library
The Vallejo Room,
Lower Level**

505 Santa Clara Street
Vallejo, CA 94590
www.cityofvallejo.net

DECEMBER 18, 2018

This AGENDA contains a brief general description of each item to be considered. The posting of the recommended actions does not indicate what action may be taken. If comments come to the City Council without prior notice and are not listed on the AGENDA, no specific answers or response should be expected at this meeting per State law.

Pursuant to the Government Code Section 54954.3 (The Brown Act), members of the public shall be afforded the opportunity to speak on any agenda item of interest to them provided they are first recognized by the presiding officer. Members of the public wishing to be so recognized are requested to submit a completed speaker card to the City Clerk prior to the consideration of the item.

Those wishing to address the Council on any matter for which another opportunity to speak is not provided on the AGENDA but which is within the jurisdiction of the City Council to resolve may come forward to the podium during the "COMMUNITY FORUM" portion of the AGENDA.

Members of the public have the right to speak on any item on this agenda. Those wishing to address the Council: 1) during the Community Forum are limited to three minutes pursuant to Vallejo Municipal Code Section 2.20.300; 2) on a Consent Calendar item are limited to three minutes pursuant to Vallejo Municipal Code Section 2.02.310; and an Action Calendar item are limited to five minutes pursuant to Vallejo Municipal Code Section 2.02.420.

Notice of Availability of Public Records: All public records relating to an open session item, which are not exempt from disclosure pursuant to the Public Records Act, that are distributed to a majority of the City Council will be available for public inspection at the City Clerk's Office, 555 Santa Clara Street, Vallejo, CA at the same time that the public records are distributed or made available to the City Council. Such documents may also be available on the City of Vallejo website subject to staff's ability to post the documents prior to the meeting. Information may be obtained by calling (707) 648-4527, TDD (707) 649-3562.

Want more City Information - Members of the public can:

Like us on Facebook (www.facebook.com/cityofvallejo)

Sign up to receive City Communications via e-mail (www.cityofvallejo.net/living/connect)

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The Vallejo Room in the JFK Library is ADA compliant. Devices for the hearing impaired are available from the City Clerk. Requests for disability related modifications or accommodations, aids or services may be made by a person with a disability to the City Clerk's office no less than 72 hours prior to the meeting as required by Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof.

Due to upgrades being done to the City Hall Council Chambers, from May through December 2018, all City Council meetings will be held in the Vallejo Room, located at the lower level of the JFK Library. For general or ADA access information regarding this alternate location, please contact the City Clerk's office at (707) 648-4527.

**CALL AND NOTICE OF
SPECIAL MEETING
AT 4:00 PM
OF THE VALLEJO CITY COUNCIL
DECEMBER 18, 2018**

**JOHN F. KENNEDY LIBRARY
THE VALLEJO ROOM
LOWER LEVEL
505 SANTA CLARA STREET
VALLEJO, CA**

TO THE MEMBERS OF THE VALLEJO CITY COUNCIL:

You are hereby notified that I do hereby call the Vallejo City Council in special session to consider only the matters stated on the agenda listed below.

NOTICE: Members of the public shall have the opportunity to address the City Council concerning any item listed on the agenda *before or during consideration of that item. No other items may be discussed at this special meeting.*

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. ACTION CALENDAR**
 - A. STUDY SESSION: LONG-RANGE FINANCIAL FORECAST**

Recommendation: Study Session only. No action recommended.
Contact: Ron Millard, Finance Director, (707) 648-4592
Ron.Millard@CityofVallejo.net
- 4. ADJOURNMENT**

Dated: Thursday, December 13, 2018



Bob Sampayan, Mayor

I, Dawn Abrahamson, City Clerk, do hereby certify that I have caused a true copy of the above notice and agenda to be delivered to each of the members of the Vallejo City Council., at the time and in the manner prescribed by law and that this agenda was posted at City Hall, 555 Santa Clara Street, CA at 5:00 p.m., Thursday, December 13, 2018.

Dated: Thursday, December 13, 2018



Dawn G. Abrahamson, City Clerk

**CALL AND NOTICE OF
SPECIAL MEETING
AT 6:30 PM
OF THE
VALLEJO CITY COUNCIL AS
GOVERNING BOARD OF THE
SUCCESSOR AGENCY TO THE
FORMER VALLEJO
REDEVELOPMENT AGENCY
COUNCIL CHAMBERS
DECEMBER 18, 2018**

CHAIR
Bob Sampayan

BOARDMEMBERS:
Vice Chair Katy Miessner
Pippin Dew-Costa
Jesus "Jess" Malgapo
Robert H. McConnell
Hermie R. Sunga
Rozzana Verder-Aliga, EdD

TO THE MEMBERS OF THE VALLEJO CITY COUNCIL AS GOVERNING BOARD OF THE SUCCESSOR AGENCY TO THE FORMER VALLEJO REDEVELOPMENT AGENCY:

You are hereby notified that I do hereby call the Vallejo City Council as Governing Board of the Successor Agency to the former Vallejo Redevelopment Agency in special session to consider only the matters stated on the agenda listed below.

NOTICE: Members of the public shall have the opportunity to address the Housing Authority concerning any item listed on the agenda *before or during consideration of that item. No other items may be discussed at this special meeting. No other items may be discussed at this special meeting.*

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **CONSENT CALENDAR AND APPROVAL OF AGENDA**
 - A. **ADOPT A RESOLUTION APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR JULY 1, 2019 THROUGH JUNE 30, 2020 ("ROPS 19-20")**

Recommendation: Adopt a Resolution approving the Recognized Obligations Payment Schedule for July 1, 2019 through June 30, 2020 ("ROPS 19-20").
Contact: Ron Millard, Finance Director, (707 648-4592
Ron.Millard@cityofvallejo.net
4. **ACTION CALENDAR**

NOTICE: Members of the public wishing to address the Council on Action Calendar Items are requested to submit a completed speaker card to the City Clerk. Each speaker is limited to five minutes pursuant to Vallejo Municipal Code Section 2.02.420.
5. **ADJOURNMENT**

Dated: Thursday, December 6, 2018

A handwritten signature in blue ink that reads "Dawn G. Abrahamson for". The signature is written in a cursive style.

Bob Sampayan, Mayor

I, Dawn Abrahamson, City Clerk, do hereby certify that I have caused a true copy of the above notice and agenda to be delivered to each of the members of the Vallejo Successor Agency., at the time and in the manner prescribed by law and that this agenda was posted at City Hall, 555 Santa Clara Street, CA at 5:00 p.m. , Thursday, December 6, 2018.

Dated: Thursday, December 6, 2018

A handwritten signature in blue ink that reads "Dawn G. Abrahamson". The signature is written in a cursive style.

Dawn G. Abrahamson, City Clerk



DATE: December 18, 2018
TO: Chair and Members of the Successor Agency
FROM: Ron Millard, Finance Director
SUBJECT: **ADOPT A RESOLUTION APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR JULY 1, 2019 THROUGH JUNE 30, 2020 ("ROPS 19-20")**

RECOMMENDATION

Adopt a Resolution approving the Recognized Obligations Payment Schedule for July 1, 2019 through June 30, 2020 ("ROPS 19-20").

REASONS FOR RECOMMENDATION

Pursuant to State Health & Safety Code Section 34177, successor agencies to former redevelopment agencies are required to prepare and submit a Recognized Obligation Payment Schedule ("ROPS") to authorize debt service and other disbursements for the upcoming fiscal year. Successor agencies receive an allocation of available property tax increment from the County Redevelopment Property Tax Trust Fund ("RPTTF") up to the amount of approved ROPS disbursements. The proposed Resolution approves \$1.8 million of RPTTF funding for the July 1, 2019 to June 30, 2020 ROPS reporting period.

Following consideration of ROPS 19-20 by the Successor Agency, ROPS 19-20 is scheduled for consideration by the Solano Consolidated Oversight Board to the Successor Agency on January 10, 2019. The approved ROPS 19-20 is due to the State DOF by February 1, 2019.

BACKGROUND AND DISCUSSION

In 2011, the Governor signed into law AB1X 26 (the "Dissolution Act") which immediately suspended most activities of Redevelopment Agencies prior to their elimination effective October 1, 2011. Assembly Bill 1484 ("AB 1484") was signed by the Governor in 2012, adding significant new or modified actions and deadlines. The Dissolution Act was further amended by SB 107 on September 22, 2015.

The Dissolution Act requires successor agencies to prepare a ROPS which sets forth the successor agency's enforceable obligations and scheduled payments for such enforceable obligations for the upcoming ROPS reporting period. The ROPS is the base document used by the County Auditor-Controller (the "CAC") in determining how much property tax increment revenue is needed to meet current Agency obligations and administrative expenses, and if any current residual tax revenue is available to distribute among local taxing entities. The ROPS are prepared by staff and submitted for consideration of approval by the Successor Agency Board and the Oversight Board. All ROPS are further subject to approval by the State DOF and to audit by the CAC.

DOF has created a specific format for the ROPS submission and provides required ROPS templates to successor agencies for completion. ROPS 19-20 is presented as Exhibit A to the proposed Resolution (Attachment 1).

Subject: ADOPT A RESOLUTION APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR JULY 1, 2019 THROUGH JUNE 30, 2020 ("ROPS 19-20")

FISCAL IMPACT

The Agency’s ROPS 19-20 payment requests total \$1.8 million, as detailed below. These payments will be financed from RPTTF in two installments (June 1,2019 and January 1, 2020).

Bond Repayments and Fees (Items 5-6, 26, 30-31)

The Successor Agency continues annual debt service payments on two bonds issued in 1990, and 2001. These bonds paid for various infrastructure improvements, primarily along the waterfront, and other public improvements. Along with related fees, \$920,000 is proposed for scheduled 2019-20 debt service payments.

Administrative Costs (Item 33)

Pursuant to HSC Section 34171 (b), effective July 1, 2016, the administrative cost allowance will be equal to: (i) up to 3% of the actual property tax received by the Successor Agency to make enforceable obligation payments during the preceding fiscal year reduced by the Successor Agency’s Administrative Allowance and sponsoring entity loan repayments in the preceding fiscal year; or (ii) not less than \$250,000, unless that amount is reduced by the Oversight Board or by agreement with the Successor Agency (Section 34171(b)(3)). The Administrative Allowance shall not exceed 50 percent of total Redevelopment Property Tax Trust Fund (RPTTF) distributed to pay enforceable obligations in the preceding fiscal year. This formula would allow an Administrative Allowance of approximately \$334,986.

The proposed administrative budget is presented as Attachment 2 and estimated to be \$190,000 which is less than what the Dissolution Law allows. The City, as administrator of the Successor Agency, continues to incur significant work effort to unwind the affairs of the former Redevelopment Agency and claims \$190,000 to reimburse the City for its administrative support. The Agency will continue to evaluate its eligible administrative allowance and underlying work effort to support this draw on an annual basis.

Repayment of City Advances (Item 8)

ROPS 19-20 continues repayment of City/Agency post-1990 loans. Interest accrues at 3% simple interest, as provided in SB 107. The annual allowable loan repayment under the Dissolution Act is 50% of the growth in surplus tax increment since the 2012-13 base year. \$728,000 is proposed for City loan repayments in the 2019-20 ROPS cycle.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	Attachment 1 - Resolution Approving ROPS 19-20
2.	Exhibit A - ROPS 19-20 Schedules
3.	Attachment 2 - ROPS 19-20 Administrative Budget

CONTACT

Ron Millard, Finance Director, (707 648-4592

Ron.Millard@cityofvallejo.net

SUCCESSOR AGENCY RESOLUTION NO. _____

**RESOLUTION OF THE SUCCESSOR AGENCY OF THE CITY OF VALLEJO
APPROVING THE RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE FOR
THE PERIOD JULY 1, 2019 TO JUNE 30, 2020 (ROPS 19-20)**

WHEREAS, pursuant to AB 1X 26, enacted June 28, 2011 (as found constitutional and as partially reformed by the California Supreme Court in its decision in *California Redevelopment Association v. Matosantos* on December 29, 2011), and as amended by AB 1484, enacted June 27, 2012 (the "Dissolution Act"), the Vallejo Redevelopment Agency, along with all other redevelopment agencies in the State, was dissolved as of February 1, 2012; and

WHEREAS, pursuant to the authority provided in Health and Safety Code Section 34173, as enacted by AB 1X 26, the City Council of the City of Vallejo ("City") elected and determined that the City shall become the "successor agency" to the former Redevelopment Agency, and upon dissolution of the Redevelopment Agency under AB 1X 26, all authorities, rights, powers, duties and obligations previously vested with the former Redevelopment Agency, under the Community Redevelopment Law (Health and Safety Code Section 33000 et seq.), were vested in the Successor Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34173(g), added by AB 1484, the Successor Agency has been designated as a separate public entity from the City; and

WHEREAS, pursuant to the Dissolution Act, an Oversight Board has been selected to oversee, direct and approve specified actions of the Successor Agency; and


WHEREAS, also pursuant to the Dissolution Act, Successor Agency staff is required to prepare a "recognized obligation payment schedule" ("ROPS"), listing outstanding obligations of the Agency to be paid in the time period July 1, 2019 through June 30, 2020 ("ROPS 19-20"), submit it for approval by the Solano Consolidated Oversight Board, and submit an electronic copy to the State Department of Finance ("DOF") by February 1, 2019;

NOW, THEREFORE, THE SUCCESSOR AGENCY OF THE CITY OF VALLEJO DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. The approval of the ROPS through this Resolution does not commit the Successor Agency to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act.

Approved as to Form

By: 
City Attorney

Section 3. The Successor Agency hereby approves and adopts the July 1, 2019 through June 30, 2020 ROPS (ROPS 19-20), in substantially the form attached to this Resolution as Exhibit A, authorizes staff to submit this information in the DOF-approved electronic format as required under the Dissolution Act, and to seek approval of this action by the Solano Consolidated Oversight Board.

This resolution was adopted by those present and voting at a regular meeting of the Successor Agency of the City of Vallejo held on December 18, 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

BOB SAMPAYAN, Chairperson

ATTEST:

DAWN G. ABRAHAMSON, Secretary

Recognized Obligation Payment Schedule (ROPS 19-20) - Summary
Filed for the July 1, 2019 through June 30, 2020 Period

Successor Agency:

Vallejo

County:

Solano

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)		19-20A Total (July - December)	19-20B Total (January - June)	ROPS 19-20 Total
A	Enforceable Obligations Funded as Follows (B+C+D):	\$ 4,496	\$ -	\$ 4,496
B	Bond Proceeds	-	-	-
C	Reserve Balance	-	-	-
D	Other Funds	4,496	-	4,496
E	Redevelopment Property Tax Trust Fund (RPTTF) (F+G):	\$ 889,417	\$ 944,108	\$ 1,833,525
F	RPTTF	794,417	849,108	1,643,525
G	Administrative RPTTF	95,000	95,000	190,000
H	Current Period Enforceable Obligations (A+E):	\$ 893,913	\$ 944,108	\$ 1,838,021

Certification of Oversight Board Chairman:

Pursuant to Section 34177 (o) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named successor agency.

Name

Title

/s/

Signature

Date

Vallejo Recognized Obligation Payment Schedule (ROPS 19-20) - ROPS Detail

July 1, 2019 through June 30, 2020

(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	19-20A (July - December)				Q	19-20B (January - June)				W		
											Fund Sources					Fund Sources						
											L	M	N	O		P	R	S	T		U	V
Item #	Project Name/Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	ROPS 19-20 Total					19-20A Total					19-20B Total		
								\$ 11,489,177		\$ 1,838,021	\$ 0	\$ 0	\$ 4,496	\$ 794,417	\$ 95,000	\$ 893,913	\$ 0	\$ 0	\$ 0	\$ 849,108	\$ 95,000	\$ 944,108
5	1989 Tax Allocation Bonds	Bonds Issued On or Before	1/1/1989	5/1/2019	Wells Fargo Bank	Waterfront Development	Merged Project	0	Y	\$ -					\$ -						\$ -	
6	1990 Tax Allocation Bonds	Bonds Issued On or Before	8/1/1990	9/1/2020	Wells Fargo Bank	Marina Vista & Vallejo Central development	Merged Project Area	984,938	N	\$ 492,125				474,313		\$ 474,313				17,812	\$ 17,812	
8	Advances from City	City/County Loan (Prior 06/28/11), Cash exchange	2/1/2015	7/1/2032	City of Vallejo General Fund	Redevelopment Activities	Merged Project Area	5,710,539	N	\$ 727,746									727,746		\$ 727,746	
26	Tax Allocation Bond, Certification of Participations, Tax Relief Bond.	Fees	10/20/2000	10/1/2032	Bondlogistix LLC, Wells Fargo	Debt Service Admin Fee	Merged Project Area	7,200	N	\$ 5,400			596	3,004		\$ 3,600			1,800		\$ 1,800	
30	2001 Vallejo Housing Set-aside	Fees	10/20/2000	10/1/2032	Bondlogistix, Wells Fargo Bank	Debt Service Admin Fee	Low-Mod	5,900	N	\$ 5,900			3,900			\$ 3,900			2,000		\$ 2,000	
31	2001 Vallejo Housing Set-aside	Bonds Issued On or Before	8/6/2001	10/1/2031	Wells Fargo Bank	Vallejo Housing Set Aside Bond	Low-Mod	4,530,600	N	\$ 416,850				317,100		\$ 317,100			99,750		\$ 99,750	
33	Administration	Admin Costs	7/1/2016	6/30/2017	City of Vallejo	Administration Cost	N/A	250,000	N	\$ 190,000				95,000		\$ 95,000				95,000	\$ 95,000	
47	Advances from City	City/County Loan (Prior 06/28/11), Cash exchange	1/1/2016	7/1/2032	City of Vallejo	Redevelopment Activities	Merged		N	\$ -						\$ -					\$ -	
48									N	\$ -						\$ -					\$ -	
49									N	\$ -						\$ -					\$ -	
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83									N	\$ -						\$ -					\$ -	

Vallejo Recognized Obligation Payment Schedule (ROPS 19-20) - Report of Cash Balances
July 1, 2016 through June 30, 2017
(Report Amounts in Whole Dollars)

funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see [Cash Balance Tips Sheet](#).

A	B	C	D	E	F	G	H	
		Fund Sources						
		Bond Proceeds		Reserve Balance	Other Funds	RPTTF		
	ROPS 16-17 Cash Balances (07/01/16 - 06/30/17)	Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	Rent, Grants, Interest, etc.	Non-Admin and Admin	Comments	
1	Beginning Available Cash Balance (Actual 07/01/16) RPTTF amount should exclude "A" period distribution amount	1,129,711			402,862	150,891		
2	Revenue/Income (Actual 06/30/17) RPTTF amount should tie to the ROPS 16-17 total distribution from the County Auditor-Controller	1,309			41,437	1,128,691		
3	Expenditures for ROPS 16-17 Enforceable Obligations (Actual 06/30/17)	25,638			318,708	1,128,466	\$25,638 was used by SA's fiscal agent to partially pay ROPS Item# 31, so that the remaining cash balance would equal to the required reserves by indenture.	
4	Retention of Available Cash Balance (Actual 06/30/17) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)	1,105,382					Retention of bond proceeds equals to total restricted reserve fund account balances (required by indenture).	
5	ROPS 16-17 RPTTF Prior Period Adjustment RPTTF amount should tie to the Agency's ROPS 16-17 PPA form submitted to the CAC	No entry required					150,891	Unspent RPTTF from ROPS 15-16 period was used to pay ROPS 18-19.enforceable obligations.
6	Ending Actual Available Cash Balance (06/30/17) C to F = (1 + 2 - 3 - 4), G = (1 + 2 - 3 - 4 - 5)	\$ 0	\$ 0	\$ 0	\$ 125,591	\$ 225	The ending Other Cash balance of \$125,591 was used to pay ROPS 17-18 and ROPS 18-19 enforceable obligations. Balance available for ROPS 19-20 is \$4,496.	

FY 2019/20 Vallejo Successor Agency - Administrative Budget

Type of Admin Costs 1/	<u>Jul - Dec 2019</u>	<u>Jan - Jun 2020</u>
Direct Administrative Costs:		
Legal Expenses	5,000	5,000
Property Maintenance & Appraisal	5,000	5,000
Other (audit, consultants, postage, utilities, training, travel, office supplies, printing, etc.)	10,000	10,000
Indirect City Support Services 2/	75,000	75,000
Total Administrative Expenses	95,000	95,000
Total Administrative Expenses Funded by RPTTF		190,000

Notes:

1/ Activities may be added, revised, or deleted from the listing as necessary and appropriate during the course of the the Successor Agency wind-down process. Costs shown for each category are estimates only. Actual costs required for each category may be higher or lower than the amount shown, not to exceed the aggregate total amount.

2/ Indirect cost recovery for administrative and financial activities will be charged based on the City's Indirect Cost plan developed by third-party consultant.

**CALL AND NOTICE OF
REGULAR MEETING
AT 6:45 PM
OF THE
VALLEJO HOUSING AUTHORITY**

**JOHN F. KENNEDY LIBRARY
THE VALLEJO ROOM
LOWER LEVEL
505 SANTA CLARA STREET
VALLEJO, CA**

DECEMBER 18, 2018

CHAIR
Bob Sampayan

COMMISSIONERS:
Vice Chair Katy Miessner
Pippin Dew-Costa
Jesus "Jess" Malgapo
Robert H. McConnell
Hermie R. Sunga
Rozzana Verder-Aliga, EdD
Margie Verdan

TO THE MEMBERS OF THE VALLEJO HOUSING AUTHORITY:

You are hereby notified that I do hereby call the Vallejo Housing Authority in special session to consider only the matters stated on the agenda listed below.

NOTICE: Members of the public shall have the opportunity to address the Housing Authority concerning any item listed on the agenda *before or during consideration of that item.*

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. CONSENT CALENDAR AND APPROVAL OF AGENDA**
 - A. APPROVAL OF MINUTES**

Recommendation: Approve the minutes for the regular Housing Authority meeting of September 25, 2018.
Contact: Dawn G. Abrahamson, Secretary (707) 648-4528
Dawn.Abrahamson@cityofvallejo.net
 - B. CITY TREASURER'S INVESTMENT REPORT**

Recommendation: Accept the City Treasurer's Investment Report for the quarter ended September 30, 2018.
Contact: Ron Millard, Finance Director, (707) 648-4592
ron.millard@cityofvallejo.net
 - C. SCHEDULE OF REGULAR VALLEJO HOUSING AUTHORITY MEETING DATES FOR 2019 AND 2020**

Recommendation: Adopt a Resolution establishing a schedule of regular Vallejo Housing Authority meeting dates for 2019 and 2020.
Contact: Dawn G. Abrahamson, Secretary, (707) 648-4528
Dawn.Abrahamson@cityofvallejo.net

D. HOUSING SUCCESSOR AGENCY ANNUAL REPORT REGARDING THE LOW AND MODERATE INCOME HOUSING ASSET FUND FOR FISCAL YEAR 2017-18

Recommendation: Approve the Vallejo Housing Authority (VHA) Housing Successor Agency Annual Report Regarding the Low and Moderate Income Asset Fund (LMIHAF) for Fiscal Year (FY) 2017-18, and direct staff to: (1) forward the Report to the State of California Department of Finance by no later than December 31, 2018, and (2) post the Report to the City of Vallejo's website.

Contact: Judy Shepard-Hall, Housing & Community Development Manager
(707) 648-4408

judy.shepard-hall@cityofvallejo.net

E. AMENDMENT TO LOAN AGREEMENT BY AND BETWEEN THE VALLEJO HOUSING AUTHORITY AND EDEN HOUSING, INC.

Recommendation: Authorize the City Manager to execute the First Amendment to the Loan Agreement by and between the Vallejo Housing Authority and Eden Housing, Inc. (Loan Agreement) for the planning, development, and construction of permanent supportive housing at 2118 and 2134-2136 Sacramento Street to update the Performance Schedule.

Contact: Judy Shepard-Hall, Housing & Community Development Manager
(707) 648-4408

judy.shepard-hall@cityofvallejo.net

4. ACTION CALENDAR

NOTICE: Members of the public wishing to address the Housing Authority on Action Calendar Items are requested to submit a completed speaker card to the Secretary. Each speaker is limited to five minutes pursuant to Vallejo Municipal Code Section 2.02.420.

5. ADJOURNMENT

Dated: Thursday, December 13, 2018



Bob Sampayan, Chair

I, Dawn Abrahamson, Secretary, do hereby certify that I have caused a true copy of the above notice and agenda to be delivered to each of the members of the Vallejo Housing Authority, at the time and in the manner prescribed by law and that this agenda was posted at City Hall, 555 Santa Clara Street, CA at 5:00 p.m., Thursday, December 13, 2018.



Dated: Thursday, December 13, 2018

Dawn G. Abrahamson, Secretary

VALLEJO HOUSING AUTHORITY
REGULAR MEETING MINUTES
JOHN F. KENNEDY LIBRARY
THE VALLEJO ROOM
LOWER LEVEL
505 SANTA CLARA STREET
VALLEJO, CA

1. **CALL TO ORDER**

The meeting was called to order at 6:54 p.m.

2. **ROLL CALL**

Present: Chair Sampayan, Vice Chair Miessner, Boardmembers Dew-Costa, Malgapo, McConnell, Sunga, Verder-Aliga and Verdan.

Absent: None

Staff present: Acting Executive Director Davis, City Attorney Quintana and Secretary Abrahamson

3. **CONSENT CALENDAR AND APPROVAL OF AGENDA**

Action: Moved by Vice Chair Miessner and carried unanimously, unless otherwise noted, approval of the Agenda and the Consent Calendar.

A. **APPROVAL OF MINUTES**

Recommendation: Approve Housing Authority minutes for the special meeting of July 24, 2018

Contact: Dawn G. Abrahamson, Secretary (707) 648-4528

dawn.abrahamson@cityofvallejo.net

Action: Approved minutes.

B. **CITY TREASURER'S INVESTMENT REPORT**

Recommendation: Accept the City Treasurer's Investment Report for the quarter ended June 30, 2018.

Contact: Ron Millard, Finance Director, (707) 648-4592

ron.millard@cityofvallejo.net

Action: Accepted City Treasurer's Investment Report for quarter ended June 30, 2018.

4. **ACTION CALENDAR – None.**

5. **ADJOURNMENT**

The meeting adjourned at 6:55 p.m.

BOB SAMPAYAN, CHAIR

ATTEST:

DAWN G. ABRAHAMSON
SECRETARY



DATE: December 18, 2018
TO: Chair and Members of the Vallejo Housing Authority Board
FROM: Ron Millard, Finance Director
SUBJECT: CITY TREASURER'S INVESTMENT REPORT

RECOMMENDATION

Accept the City Treasurer's Investment Report for the quarter ended September 30, 2018.

REASONS FOR RECOMMENDATION

The City's Investment Policy requires the City Treasurer to submit quarterly investment reports to the City Council.

BACKGROUND AND DISCUSSION

At the end of each calendar quarter, the City Treasurer is required by the City's adopted Investment Policy to report on the status of investments to the City Council. The City Treasurer's Investment Report as of September 30, 2018, is submitted. It is the policy of the City of Vallejo to use the State of California Government Code Sections 53601, 53635, and 53651 provisions for local government investments as guidelines in the developing and implementing of the City's allowable investment policies and practices.

The report includes all securities managed by the City and its Investment Managers (excluding bond proceeds) and provides information on the values (par, fair, and cost), term, and yield of each security.

Fair Value of individual securities has been provided by Wells Fargo Institutional Retirement and Trust. The City utilizes Wells Fargo Institutional Retirement and Trust as its third-party safekeeping custodian for safekeeping of all investments with the exception of the Local Agency Investment Fund (LAIF). LAIF being a money market fund administered by the State Treasurer has many governmental agency participants, and holds securities through its own administrator.

Condensed investment information as of September 30, 2018, is as follows:

<i>Description</i>	Par Value of Portfolio	Fair Value of Portfolio (Market Value)	Cost Basis of Portfolio (Book Value)	Percentage of Portfolio
City of Vallejo:				
U.S. Federal Agency Bonds	\$29,365,000.00	\$28,762,649.15	\$29,335,586.03	24.17%
Local Agency Investment Fund	32,870,918.68	32,870,918.68	32,870,918.68	27.09%
U.S. Treasury Securities	30,360,000.00	29,603,526.65	30,099,668.08	24.80%
Money Market Accounts	1,757,498.92	1,757,498.92	1,757,498.92	1.45%
Corporate Medium Term Notes	17,520,000.00	17,430,963.10	17,622,570.30	14.52%
Municipal Bonds	1,250,000.00	1,257,985.00	1,295,425.00	1.07%
Asset Backed Securities	8,414,579.85	8,339,659.72	8,377,607.20	6.90%
Subtotal City of Vallejo	\$121,537,997.45	\$120,023,201.22	\$121,359,274.21	100.00%
Housing Authority:				
Local Agency Investment Fund	\$768,321.22	\$768,321.22	\$768,321.22	100.00%
Combined Total Investments	\$122,306,318.67	\$120,791,522.44	\$122,127,595.43	100.00%

Footnote: In accordance with Government Code Section 53646, the Fair Value of the Local Agency Investment Fund (LAIF) shown above represents the value from the September 30, 2018, LAIF statement and has not been adjusted by the "Amortized Cost Factor" which is used in adjusting the statement balance to the actual "Fair Value" balance.

Condensed earnings and return information as of September 30, 2018, is as follows:

	Current Quarter	Fiscal Year-to-Date ¹
Portfolio Investment Earnings:		
City of Vallejo	\$ 530,399.33	\$530,399.33
Housing Authority	\$ 3,742.48	\$ 3,742.48
Total Portfolio Investment Earnings	\$ 534,141.81	\$534,141.81
Net Change in Portfolio Fair Value Balance ² :		
City of Vallejo	(\$20,393,193.98)	(\$20,393,193.98)
Housing Authority	\$ 5,059.33	\$5,059.33
Total Net Change in Portfolio Balance	(\$20,388,134.65)	(\$20,388,134.65)
Approximate Portfolio rate-of-return: (annualized yield)		
City of Vallejo		1.67%
Housing Authority		1.93%

BENCHMARK COMPARISON RATE-OF-RETURN³:

Local Agency Investment Fund	2.16%
2-Year U.S. Treasury Note Yield	2.82%

Footnotes:

- The Fiscal year-to-date is the actual percentage earned for the 3-month period from July 1, 2018, to September 30, 2018, and then is annualized for comparison purposes.

The "Net Change in Portfolio Fair Value Balance" is primarily a measure of the difference in the inflows and outflows of funds held in the LAIF account during the period. The change is primarily due to the timing of the receipt of property tax revenues, which are received in December and April of each year, and the timing of the City making withdrawals in the ordinary course of business to pay expenses.

These are the performance benchmarks stated in the City's Investment Policy. These are annualized yields.

COMPLIANCE

All investment transactions were executed in accordance with the California Government Code and the City's and Housing Authority's Investment Policies. In accordance with California Government Code section 53646(b)(3), I believe that the investments and budgeted revenues for the City and Vallejo Housing Authority will provide sufficient cash flow to meet the anticipated cash flow requirements of each entity for the next six months.

Pooled cash and investments book balances are adjusted annually to reflect *fair value* as required by Generally Accepted Accounting Principles. The term *fair value* was formerly known as *market value* and became effective with the mandatory implementation of GASB 31 in fiscal year 1998. The

attached investment schedules meet these requirements.

It should be noted that this is an investment portfolio report and does not include bank checking account deposits.

FISCAL IMPACT

There is no fiscal impact from this report. The City and the Housing Authority combined portfolios had total interest earnings of \$534,141.81 during the three month period ending September 30, 2018. In addition, the combined portfolios also had a cumulative *fair value* versus *cost value* unrealized, non-cash loss of approximately \$1,336,072.99 as of September 30, 2018. *Fair value* fluctuates from one period to another depending on the changes in interest rates and the supply and demand for bonds at a particular time. Therefore, there is often a difference between the *cost value* (the value at the time of purchase) and the *fair value* (the market value of the same security at a certain later period) creating an unrealized gain or loss.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	City - Monthly Portfolio Summary Report - 9-30-18
2.	Housing Authority - Monthly Portfolio Summary Report - 9-30-18

CONTACT

Ron Millard, Finance Director, (707) 648-4592

ron.millard@cityofvallejo.net



**City of Vallejo
Portfolio Management
Portfolio Summary
September 30, 2018**

City of Vallejo
555 Santa Clara Street
Vallejo, Vallejo, CA 94590
(707)648-4592

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM
Federal Agency Issues - Coupon	29,365,000.00	28,762,649.15	29,335,586.03	24.17	1,472	792	1.663	1.686
Local Agency Investment Funds	32,870,918.68	32,870,918.68	32,870,918.68	27.09	1	1	2.035	2.063
U.S. Treasury Securities - Coupon	30,360,000.00	29,603,526.65	30,099,668.08	24.80	1,468	756	1.663	1.686
Money Market Accounts	1,757,498.92	1,757,498.92	1,757,498.92	1.45	1	1	1.716	1.740
Corporate Medium Term Notes	17,520,000.00	17,430,963.10	17,622,570.30	14.52	1,080	550	2.187	2.217
Municipal Bonds	1,250,000.00	1,257,985.00	1,295,425.00	1.07	780	239	1.702	1.726
Asset Backed Securities	8,414,579.85	8,339,659.72	8,377,607.20	6.90	1,467	1,066	1.979	1.996
Investments	121,537,997.45	120,023,201.22	121,359,274.21	100.00%	986	535	1.863	1.888

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	153,192.90	530,399.33
Average Daily Balance	120,786,295.86	126,048,430.66
Effective Rate of Return	1.54%	1.67%

I hereby certify that the investments listed in this report conform to the City of Vallejo investment policy and California Government Code and that it provides sufficient cash flow to meet the City's anticipated cash needs for the next six months.


Ron Millard, Finance Director/Treasurer

2018-11-05

Reporting period 09/01/2018-09/30/2018

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24 of 577

**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
3135GOA78	50394	Fed Natl Mtg Assn		02/11/2015	850,000.00	837,904.50	848,368.00	1.625	1.643	1.665	477	01/21/2020
3133EJYF0	50496	Federal Farm Credit Bank		09/24/2018	350,000.00	347,648.00	347,571.00	2.700	2.909	2.949	1,061	08/27/2021
313383HU8	50404	Federal Home Loan Bank		10/09/2015	1,000,000.00	981,940.00	1,013,020.00	1.750	1.441	1.461	620	06/12/2020
3133782M2	50409	Federal Home Loan Bank		02/29/2016	1,000,000.00	996,310.00	1,012,410.00	1.500	1.067	1.082	158	03/08/2019
3130A7CV5	50410	Federal Home Loan Bank		02/18/2016	730,000.00	704,997.50	727,050.80	1.375	1.439	1.459	871	02/18/2021
3130A7CV5	50415	Federal Home Loan Bank		03/31/2016	270,000.00	260,752.50	269,244.00	1.375	1.414	1.434	871	02/18/2021
3130A8DB6	50421	Federal Home Loan Bank		06/22/2016	250,000.00	247,460.00	251,142.50	1.125	0.959	0.972	263	06/21/2019
3130A8DB6	50422	Federal Home Loan Bank		06/24/2016	50,000.00	49,492.00	50,197.00	1.125	0.980	0.993	263	06/21/2019
3130A7CV5	50424	Federal Home Loan Bank		06/29/2016	500,000.00	482,875.00	506,195.00	1.375	1.085	1.100	871	02/18/2021
3130A8QS5	50427	Federal Home Loan Bank		07/26/2016	750,000.00	715,162.50	744,442.50	1.125	1.262	1.279	1,017	07/14/2021
3130A8Y72	50431	Federal Home Loan Bank		08/29/2016	700,000.00	689,934.00	696,794.00	0.875	1.020	1.034	308	08/05/2019
3130A9AE1	50432	Federal Home Loan Bank		08/26/2016	1,200,000.00	1,200,000.00	1,199,184.00	0.875	0.895	0.908	0	10/01/2018
3130A9EP2	50437	Federal Home Loan Bank		09/09/2016	750,000.00	737,850.00	749,347.50	1.000	1.172	1.188	360	09/26/2019
3130A8QS5	50443	Federal Home Loan Bank		09/30/2016	600,000.00	572,130.00	596,244.00	1.125	1.243	1.260	1,017	07/14/2021
313378J77	50462	Federal Home Loan Bank		06/30/2017	500,000.00	493,360.00	503,985.00	1.875	1.551	1.572	529	03/13/2020
313378CR0	50463	Federal Home Loan Bank		06/20/2017	750,000.00	733,027.50	763,230.00	2.250	1.833	1.858	1,257	03/11/2022
3130A66T9	50467	Federal Home Loan Bank		08/17/2017	850,000.00	830,552.00	850,680.00	1.625	1.576	1.598	711	09/11/2020
313379RB7	50468	Federal Home Loan Bank		08/30/2017	900,000.00	876,510.00	907,722.00	1.875	1.617	1.640	984	06/11/2021
3130A66T9	50469	Federal Home Loan Bank		09/20/2017	500,000.00	488,560.00	500,015.00	1.625	1.602	1.624	711	09/11/2020
3130A66T9	50470	Federal Home Loan Bank		09/20/2017	250,000.00	244,280.00	250,007.50	1.625	1.602	1.624	711	09/11/2020
3130AOJR2	50473	Federal Home Loan Bank		12/05/2017	150,000.00	149,400.00	151,444.50	2.375	1.861	1.887	438	12/13/2019
313382AX1	50478	Federal Home Loan Bank		03/26/2018	500,000.00	481,970.00	486,065.00	2.125	2.689	2.727	1,621	03/10/2023
313373ZY1	50483	Federal Home Loan Bank		06/27/2018	325,000.00	331,158.75	333,391.50	3.625	2.673	2.710	984	06/11/2021
313373ZY1	50486	Federal Home Loan Bank		07/11/2018	400,000.00	407,580.00	409,672.00	3.625	3.203	3.248	984	06/11/2021
313373ZY1	50491	Federal Home Loan Bank		08/01/2018	200,000.00	203,790.00	204,234.00	3.625	2.809	2.849	984	06/11/2021
313383QR5	50494	Federal Home Loan Bank		08/29/2018	500,000.00	505,275.00	508,335.00	3.250	2.834	2.873	1,712	06/09/2023
3135GOZG1	50381	Federal National Mortgage Assn		09/25/2014	500,000.00	495,880.00	496,340.00	1.750	1.879	1.905	346	09/12/2019
3135GOZG1	50386	Federal National Mortgage Assn		10/30/2014	400,000.00	396,704.00	401,176.00	1.750	1.664	1.688	346	09/12/2019
3135GOF73	50406	Federal National Mortgage Assn		12/07/2015	1,000,000.00	971,900.00	982,300.00	1.500	1.836	1.861	791	11/30/2020
3135GOJ53	50413	Federal National Mortgage Assn		03/03/2016	275,000.00	273,550.75	274,511.33	1.000	1.046	1.061	148	02/26/2019
3135GOJ20	50417	Federal National Mortgage Assn		04/21/2016	850,000.00	820,590.00	850,501.50	1.375	1.344	1.362	879	02/26/2021
3135GOJ20	50425	Federal National Mortgage Assn		06/30/2016	500,000.00	482,700.00	506,005.00	1.375	1.095	1.110	879	02/26/2021
3135GON33	50433	Federal National Mortgage Assn		08/02/2016	900,000.00	887,373.00	898,488.00	0.875	0.919	0.932	305	08/02/2019
3135GOP49	50438	Federal National Mortgage Assn		09/02/2016	500,000.00	492,795.00	499,220.00	1.000	1.045	1.059	331	08/28/2019
3135GOP49	50442	Federal National Mortgage Assn		09/30/2016	460,000.00	453,371.40	460,395.60	1.000	0.962	0.975	331	08/28/2019
3135GOQ89	50446	Federal National Mortgage Assn		10/07/2016	450,000.00	429,907.50	448,407.90	1.375	1.429	1.449	1,102	10/07/2021

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25 of 577
Report Ver. 7.3.6.1

City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
3135GOT29	50450	Federal National Mortgage Assn		03/01/2017	160,000.00	157,264.00	159,766.40	1.500	1.529	1.550	515	02/28/2020
3135GOVY6	50451	Federal National Mortgage Assn		03/30/2017	500,000.00	492,385.00	501,255.00	1.700	1.592	1.614	543	03/27/2020
3135GOT45	50461	Federal National Mortgage Assn		05/08/2017	1,000,000.00	964,670.00	994,500.00	1.875	1.966	1.993	1,282	04/05/2022
3135GOT94	50479	Federal National Mortgage Assn		03/19/2018	700,000.00	682,409.00	688,751.00	2.375	2.694	2.732	1,571	01/19/2023
3135GOT94	50481	Federal National Mortgage Assn		04/26/2018	300,000.00	292,461.00	293,076.00	2.375	2.860	2.900	1,571	01/19/2023
3135GOT78	50485	Federal National Mortgage Assn		06/11/2018	1,000,000.00	961,940.00	966,950.00	2.000	2.780	2.818	1,465	10/05/2022
3135GOU43	50497	Federal National Mortgage Assn		09/14/2018	645,000.00	639,549.75	642,355.50	2.875	2.923	2.964	1,807	09/12/2023
3137EADG1	50377	Federal Home Loan Mtg. Corp.		08/19/2014	1,000,000.00	995,010.00	1,005,160.00	1.750	1.616	1.638	241	05/30/2019
3137EADG1	50393	Federal Home Loan Mtg. Corp.		02/11/2015	250,000.00	248,752.50	252,527.50	1.750	1.489	1.510	241	05/30/2019
3137EADZ9	50412	Federal Home Loan Mtg. Corp.		03/31/2016	400,000.00	397,172.00	401,480.00	1.125	0.987	1.001	196	04/15/2019
3137EAEC9	50435	Federal Home Loan Mtg. Corp.		08/17/2016	1,000,000.00	951,650.00	990,380.00	1.125	1.307	1.325	1,046	08/12/2021
3137EAEC9	50444	Federal Home Loan Mtg. Corp.		09/30/2016	500,000.00	475,825.00	495,790.00	1.125	1.286	1.304	1,046	08/12/2021
3137EA EK1	50472	Federal Home Loan Mtg. Corp.		11/29/2017	750,000.00	735,015.00	749,167.50	1.875	1.887	1.914	778	11/17/2020
3137EAEN5	50487	Federal Home Loan Mtg. Corp.		07/17/2018	500,000.00	493,855.00	497,090.00	2.750	2.838	2.877	1,722	06/19/2023
Subtotal and Average			29,552,231.91		29,365,000.00	28,762,649.15	29,335,586.03		1.663	1.686	792	
Local Agency Investment Funds												
44740	04001	LAIF City of Vallejo			32,870,918.68	32,870,918.68	32,870,918.68	2.063	2.035	2.063	1	
Subtotal and Average			32,870,918.68		32,870,918.68	32,870,918.68	32,870,918.68		2.035	2.063	1	
U.S. Treasury Securities - Coupon												
912828C24	5186	U.S. Treasury Notes		03/19/2014	825,000.00	822,038.25	823,133.63	1.500	1.526	1.548	150	02/28/2019
912828D23	5189	U.S. Treasury Notes		05/30/2014	400,000.00	398,092.00	402,954.47	1.625	1.449	1.469	211	04/30/2019
912828D23	5194	U.S. Treasury Notes		06/09/2014	200,000.00	199,046.00	200,086.61	1.625	1.594	1.616	211	04/30/2019
912828D80	5197	U.S. Treasury Notes		09/10/2014	475,000.00	470,677.50	471,977.18	1.625	1.735	1.759	334	08/31/2019
912828G61	5202	U.S. Treasury Notes		12/12/2014	475,000.00	468,487.75	472,756.47	1.500	1.577	1.599	425	11/30/2019
912828J50	5204	U.S. Treasury Notes		04/24/2015	475,000.00	465,946.50	474,853.15	1.375	1.363	1.382	516	02/29/2020
912828K58	5208	U.S. Treasury Notes		05/07/2015	525,000.00	513,618.00	520,551.56	1.375	1.531	1.552	577	04/30/2020
912828XE5	5210	U.S. Treasury Notes		06/05/2015	500,000.00	489,530.00	495,861.05	1.500	1.651	1.674	608	05/31/2020
912828XE5	5211	U.S. Treasury Notes		06/18/2015	300,000.00	293,718.00	297,446.32	1.500	1.657	1.680	608	05/31/2020
912828XM7	5215	U.S. Treasury Notes		08/28/2015	500,000.00	489,415.00	502,521.21	1.625	1.497	1.518	669	07/31/2020
912828XM7	5218	U.S. Treasury Notes		09/09/2015	500,000.00	489,415.00	502,540.74	1.625	1.496	1.517	669	07/31/2020
912828L81	5220	U.S. Treasury Notes		10/26/2015	900,000.00	899,604.00	898,417.97	0.875	0.922	0.935	14	10/15/2018
912828L81	5221	U.S. Treasury Notes		10/30/2015	720,000.00	719,683.20	716,765.63	0.875	1.015	1.029	14	10/15/2018
912828M64	5222	U.S. Treasury Notes		11/30/2015	300,000.00	299,685.00	300,210.94	1.250	0.962	0.976	45	11/15/2018
912828L99	5223	U.S. Treasury Notes		11/05/2015	525,000.00	509,559.75	518,480.27	1.375	1.489	1.509	761	10/31/2020

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**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
U.S. Treasury Securities - Coupon												
912828L99	5227	U.S. Treasury Notes		12/23/2015	475,000.00	461,030.25	467,987.92	1.375	1.545	1.567	761	10/31/2020
912828N63	5228	U.S. Treasury Notes		01/22/2016	850,000.00	847,229.00	851,560.55	1.125	1.171	1.187	106	01/15/2019
912828N89	5229	U.S. Treasury Notes		02/24/2016	500,000.00	483,340.00	503,146.21	1.375	1.225	1.242	853	01/31/2021
912828P95	5230	U.S. Treasury Notes		03/18/2016	435,000.00	432,246.45	434,201.37	1.000	1.048	1.063	165	03/15/2019
912828N89	5231	U.S. Treasury Notes		03/16/2016	500,000.00	483,340.00	497,208.71	1.375	1.473	1.493	853	01/31/2021
912828R85	5236	U.S. Treasury Notes		06/30/2016	400,000.00	395,408.00	401,984.38	0.875	0.819	0.830	257	06/15/2019
912828S43	5237	U.S. Treasury Notes		07/27/2016	140,000.00	138,037.20	139,535.16	0.750	0.852	0.864	287	07/15/2019
912828R85	5238	U.S. Treasury Notes		07/12/2016	515,000.00	509,087.80	516,750.20	0.875	0.870	0.882	257	06/15/2019
912828T59	5239	U.S. Treasury Notes		10/31/2016	920,000.00	904,295.60	919,101.56	1.000	1.019	1.034	379	10/15/2019
912828T34	5240	U.S. Treasury Notes		11/10/2016	650,000.00	617,298.50	639,211.16	1.125	1.458	1.478	1,095	09/30/2021
912828T34	5241	U.S. Treasury Notes		11/16/2016	350,000.00	332,391.50	340,786.33	1.125	1.667	1.690	1,095	09/30/2021
912828U32	5242	U.S. Treasury Notes		12/01/2016	1,200,000.00	1,177,644.00	1,186,828.13	1.000	1.361	1.380	410	11/15/2019
912828T67	5244	U.S. Treasury Notes		12/13/2016	800,000.00	761,472.00	774,971.43	1.250	1.898	1.924	1,126	10/31/2021
912828U65	5245	U.S. Treasury Notes		12/29/2016	500,000.00	482,695.00	492,892.30	1.750	2.027	2.055	1,156	11/30/2021
912828SD3	5246	U.S. Treasury Notes		01/09/2017	700,000.00	697,522.00	700,054.69	1.250	1.229	1.246	122	01/31/2019
912828U73	5247	U.S. Treasury Notes		01/09/2017	775,000.00	762,832.50	772,547.85	1.375	1.465	1.486	440	12/15/2019
912828KD1	5248	U.S. Treasury Notes		01/19/2017	110,000.00	110,150.70	113,433.20	2.750	1.204	1.221	137	02/15/2019
912828W22	5249	U.S. Treasury Notes		02/28/2017	750,000.00	736,200.00	748,154.30	1.375	1.564	1.585	502	02/15/2020
912828V72	5250	U.S. Treasury Notes		02/28/2017	900,000.00	870,579.00	901,444.42	1.875	1.815	1.841	1,218	01/31/2022
912828J43	5251	U.S. Treasury Notes		03/24/2017	1,000,000.00	962,580.00	989,651.79	1.750	1.944	1.971	1,246	02/28/2022
912828K58	5252	U.S. Treasury Notes		04/28/2017	700,000.00	684,824.00	697,539.06	1.375	1.475	1.495	577	04/30/2020
912828J43	5253	U.S. Treasury Notes		04/28/2017	500,000.00	481,290.00	497,872.77	1.750	1.817	1.842	1,246	02/28/2022
912828X96	5254	U.S. Treasury Notes		05/31/2017	1,025,000.00	1,004,223.25	1,026,641.60	1.500	1.425	1.444	592	05/15/2020
912828XW5	5255	U.S. Treasury Notes		07/26/2017	1,000,000.00	958,790.00	994,690.85	1.750	1.838	1.863	1,368	06/30/2022
912828L24	5256	U.S. Treasury Notes		09/28/2017	550,000.00	528,621.50	548,884.66	1.875	1.769	1.793	1,430	08/31/2022
912828L57	5257	U.S. Treasury Notes		10/06/2017	750,000.00	716,692.50	742,353.52	1.750	1.939	1.966	1,460	09/30/2022
912828M49	5258	U.S. Treasury Notes		11/29/2017	750,000.00	719,617.50	744,023.44	1.875	2.018	2.046	1,491	10/31/2022
912828L57	5259	U.S. Treasury Notes		12/29/2017	650,000.00	621,133.50	636,619.14	1.750	2.178	2.208	1,460	09/30/2022
912828M49	5260	U.S. Treasury Notes		01/31/2018	750,000.00	719,617.50	730,019.53	1.875	2.439	2.473	1,491	10/31/2022
9128284B3	5261	U.S. Treasury Notes		03/16/2018	175,000.00	173,010.25	174,747.07	2.375	2.392	2.425	896	03/15/2021
9128284B3	5262	U.S. Treasury Notes		03/21/2018	100,000.00	98,863.00	99,691.41	2.375	2.449	2.483	896	03/15/2021
912828P38	5263	U.S. Treasury Notes		05/31/2018	1,000,000.00	951,680.00	961,601.56	1.750	2.593	2.629	1,583	01/31/2023
9128284T4	5264	U.S. Treasury Notes		06/19/2018	720,000.00	715,219.20	719,015.63	2.625	2.636	2.673	988	06/15/2021
9128282F6	5265	U.S. Treasury Notes		09/19/2018	950,000.00	903,469.00	903,427.73	1.125	2.832	2.871	1,065	08/31/2021
912828L32	5266	U.S. Treasury Notes		09/19/2018	650,000.00	632,580.00	632,531.25	1.375	2.764	2.802	700	08/31/2020
Subtotal and Average			29,762,679.28		30,360,000.00	29,603,526.65	30,099,668.08		1.663	1.686	756	

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**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Money Market Accounts												
SYS10014	10014	Wells Fargo & Company			86,159.73	86,159.73	86,159.73	1.740	1.716	1.740	1	
SYS10016	10016	Wells Fargo & Company			1,671,339.19	1,671,339.19	1,671,339.19	1.740	1.716	1.740	1	
Subtotal and Average			1,264,896.39		1,757,498.92	1,757,498.92	1,757,498.92		1.716	1.740	1	
Corporate Medium Term Notes												
02665WAC5	15342	American Honda Finance		02/01/2016	685,000.00	684,910.95	693,000.80	2.125	1.656	1.679	9	10/10/2018
037833CK4	15358	Apple, Inc.		04/28/2017	700,000.00	691,747.00	703,640.00	1.900	1.684	1.707	494	02/07/2020
037833DC1	15362	Apple, Inc.		09/14/2017	625,000.00	598,675.00	621,206.25	2.100	2.199	2.229	1,442	09/12/2022
06051GEE5	15379	Bank of America Corp.		07/27/2018	600,000.00	633,378.00	635,442.00	5.875	3.282	3.328	827	01/05/2021
07330NAL9	15346	Branch Banking & Trust		05/16/2016	750,000.00	744,810.00	749,250.00	1.450	1.464	1.484	221	05/10/2019
084670BL1	15331	Berkshire Hathaway		07/20/2015	525,000.00	522,322.50	526,958.25	2.100	1.976	2.004	317	08/14/2019
084664CG4	15343	Berkshire Hathaway		03/15/2016	350,000.00	348,796.00	349,734.00	1.700	1.702	1.726	165	03/15/2019
084664CK5	15353	Berkshire Hathaway		08/15/2016	250,000.00	246,985.00	249,757.50	1.300	1.315	1.333	318	08/15/2019
084664CG4	15360	Berkshire Hathaway		06/12/2017	40,000.00	39,862.40	40,150.40	1.700	1.462	1.482	165	03/15/2019
09247XAE1	15373	Blackrock Inc.		06/08/2018	500,000.00	512,580.00	516,025.00	5.000	2.772	2.811	435	12/10/2019
06406HDD8	15366	Bank of NY Mellon Corp		12/06/2017	700,000.00	694,477.00	707,049.00	2.600	2.182	2.213	686	08/17/2020
166764AN0	15319	Chevron Corporation		11/24/2014	525,000.00	521,262.00	526,459.50	2.193	2.105	2.134	410	11/15/2019
166764BG4	15352	Chevron Corporation		05/25/2016	550,000.00	536,486.50	546,777.00	2.100	2.195	2.225	958	05/16/2021
166764AR1	15367	Chevron Corporation		01/17/2018	725,000.00	715,691.00	720,737.00	1.961	2.214	2.245	519	03/03/2020
17325FAA6	15357	Citibank NA		03/20/2017	650,000.00	648,251.50	649,467.00	2.000	2.014	2.042	170	03/20/2019
30231GAP7	15344	Exxon Mobile Corp		03/03/2016	725,000.00	722,709.00	725,000.00	1.708	1.685	1.708	151	03/01/2019
30231GAV4	15355	Exxon Mobile Corp		01/17/2017	500,000.00	490,065.00	500,885.00	2.222	2.147	2.177	882	03/01/2021
369550BA5	15381	General Dynamics		09/14/2018	250,000.00	249,395.00	249,620.00	2.875	2.928	2.968	588	05/11/2020
36962G2T0	15359	General Electric Cap Corp.		05/18/2017	600,000.00	621,594.00	664,026.00	5.550	1.806	1.831	581	05/04/2020
38148PP84	15374	Goldman Sachs Bank		06/08/2018	700,000.00	702,345.00	701,155.00	3.200	3.071	3.114	613	06/05/2020
40428HPR7	15380	HSBC USA, Inc.		07/27/2018	200,000.00	197,808.00	197,690.00	2.350	3.050	3.092	521	03/05/2020
24422ETS8	15361	John Deere Capital Corp.		09/21/2017	500,000.00	491,125.00	501,835.00	1.950	1.787	1.812	630	06/22/2020
24422ETS8	15371	John Deere Capital Corp.		05/23/2018	125,000.00	122,781.25	122,390.00	1.950	2.951	2.992	630	06/22/2020
46625HQU7	15347	JP Morgan Chase & Co		05/11/2016	700,000.00	697,438.00	704,970.00	1.850	1.573	1.595	172	03/22/2019
594918BG8	15337	Microsoft Corp.		11/03/2015	220,000.00	216,106.00	219,824.00	2.000	1.989	2.017	764	11/03/2020
594918BG8	15338	Microsoft Corp.		11/10/2015	325,000.00	319,247.50	324,525.50	2.000	2.003	2.031	764	11/03/2020
69371RM29	15368	Paccar Financial Corp		02/28/2018	600,000.00	596,718.00	597,174.00	2.200	2.477	2.512	349	09/15/2019
69353RFH6	15369	PNC Bank NA		02/09/2018	600,000.00	589,314.00	596,712.00	2.500	2.657	2.694	844	01/22/2021
89236TDU6	15370	Toyota Motor Credit		03/16/2018	650,000.00	640,185.00	640,451.50	1.950	2.642	2.678	564	04/17/2020
90520EAF8	15364	Union Bank NA		11/08/2017	650,000.00	648,199.50	652,254.20	2.250	1.986	2.013	217	05/06/2019
90331HMY6	15345	US Bank N.A.		04/26/2016	700,000.00	695,198.00	698,054.00	1.400	1.475	1.495	207	04/26/2019

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**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Corporate Medium Term Notes												
92826CAB8	15372	Visa, Inc.		05/17/2018	100,000.00	98,270.00	98,294.00	2.200	2.852	2.892	805	12/14/2020
92826CAB8	15375	Visa, Inc.		06/15/2018	600,000.00	589,620.00	590,646.00	2.200	2.815	2.854	805	12/14/2020
931142EK5	15376	Walmart Inc.		06/27/2018	190,000.00	190,826.50	189,948.70	3.400	3.359	3.406	1,729	06/26/2023
931142EK5	15377	Walmart Inc.		06/27/2018	190,000.00	190,826.50	189,952.50	3.400	3.359	3.405	1,729	06/26/2023
931142EK5	15378	Walmart Inc.		06/29/2018	220,000.00	220,957.00	221,509.20	3.400	3.205	3.250	1,729	06/26/2023
Subtotal and Average			17,514,401.63		17,520,000.00	17,430,963.10	17,622,570.30		2.187	2.217	550	
Municipal Bonds												
13063DAB4	50459	California State		04/27/2017	750,000.00	745,890.00	750,000.00	1.593	1.571	1.593	182	04/01/2019
797398DH4	50454	San Diego County CA		03/13/2017	500,000.00	512,095.00	545,425.00	5.765	1.882	1.908	318	08/15/2019
Subtotal and Average			1,295,425.00		1,250,000.00	1,257,985.00	1,295,425.00		1.702	1.726	239	
Asset Backed Securities												
02587AAJ3	50475	American Express Credit		02/07/2018	270,000.00	266,257.80	267,553.13	1.950	2.128	2.158	1,445	09/15/2022
02587AAJ3	50476	American Express Credit		02/09/2018	110,000.00	108,475.40	109,003.13	1.950	2.128	2.157	1,445	09/15/2022
02582JHE3	50484	American Express Credit		06/29/2018	400,000.00	392,612.00	392,250.00	1.770	1.649	1.672	1,506	11/15/2022
05582QAD9	50426	BMW Vehicle Owner Trust		07/20/2016	316,007.81	313,843.16	316,006.39	1.160	1.160	1.176	786	11/25/2020
14041NFB9	50480	Capital One Multi-Asset		04/19/2018	800,000.00	790,528.00	788,750.00	1.820	2.128	2.157	1,445	09/15/2022
161571HE7	50489	Chase Issuance Trust		08/03/2018	304,000.00	295,755.52	295,355.00	1.490	2.225	2.256	1,383	07/15/2022
17305EFW0	50448	Citibank Credit Card		12/08/2016	700,000.00	691,061.00	699,962.48	1.750	1.727	1.751	1,145	11/19/2021
17305EGK5	50490	Citibank Credit Card		08/22/2018	150,000.00	147,927.00	148,500.00	2.490	2.695	2.732	1,572	01/20/2023
41284DAC6	50423	Harley-Davidson Motorcycle		06/15/2016	329,156.65	327,494.41	329,132.59	1.810	1.812	1.837	837	01/15/2021
43814QAC2	50419	Honda Auto Receivables Owner		05/31/2016	94,748.39	94,378.87	94,746.55	1.390	1.391	1.410	562	04/15/2020
43814TAC6	50452	Honda Auto Receivables Owner		03/28/2017	599,176.25	593,909.49	599,140.60	1.720	1.699	1.723	1,024	07/21/2021
43814PAB6	50471	Honda Auto Receivables Owner		09/29/2017	65,403.94	65,222.77	65,398.13	1.570	1.574	1.596	477	01/21/2020
43814UAG4	50482	Honda Auto Receivables Owner		05/30/2018	170,000.00	169,811.30	169,996.29	3.010	3.011	3.052	1,325	05/18/2022
43814UAC3	50492	Honda Auto Receivables Owner		08/22/2018	250,000.00	248,232.50	249,082.03	2.640	2.718	2.756	1,233	02/15/2022
43815HAC1	50495	Honda Auto Receivables Owner		08/28/2018	375,000.00	373,766.25	374,948.55	2.950	2.917	2.957	1,421	08/22/2022
47788MAC4	50416	John Deere Owner Trust		03/02/2016	110,286.84	109,931.72	110,269.48	1.360	1.364	1.383	562	04/15/2020
47787XAB3	50457	John Deere Owner Trust		03/02/2017	26,673.10	26,654.16	26,672.99	1.500	1.500	1.521	379	10/15/2019
47788BAB0	50464	John Deere Owner Trust		07/18/2017	57,018.88	56,869.49	57,013.93	1.590	1.574	1.595	562	04/15/2020
47788BAD6	50465	John Deere Owner Trust		07/18/2017	90,000.00	88,767.00	89,993.41	1.820	1.800	1.825	1,110	10/15/2021
47788CAC6	50477	John Deere Owner Trust		02/28/2018	140,000.00	138,973.80	139,989.93	2.660	2.631	2.668	1,295	04/18/2022
58769DAD2	50460	Mercedes-Benz Auto		04/26/2017	700,000.00	697,130.00	699,984.04	1.790	1.768	1.792	562	04/15/2020
654747AB0	50458	Nissan Auto Receivables Owner		03/28/2017	46,163.62	46,103.61	46,163.39	1.470	1.470	1.491	471	01/15/2020
65479GAD1	50488	Nissan Auto Receivables Owner		07/25/2018	335,000.00	333,984.95	334,989.15	3.060	3.061	3.103	1,626	03/15/2023

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**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Asset Backed Securities												
654747AD6	50493	Nissan Auto Receivables Owner		08/03/2018	245,000.00	242,131.05	241,994.92	1.740	2.130	2.160	1,050	08/16/2021
65477XAD6	50440	Nissan Auto Lse Trust		09/22/2016	125,437.72	125,309.77	125,427.32	1.500	1.503	1.524	287	07/15/2019
83191GAD1	50445	Smart Trust		10/14/2016	600,000.00	593,479.80	599,875.44	1.710	1.750	1.774	896	03/15/2021
89237WAD9	50434	Toyota Auto Receivables		08/10/2016	172,630.14	171,475.24	172,625.51	1.140	1.127	1.142	686	08/17/2020
89238MAD0	50455	Toyota Auto Receivables		03/15/2017	200,000.00	198,584.00	199,976.46	1.730	1.733	1.757	869	02/16/2021
89238BAB8	50474	Toyota Auto Receivables		01/31/2018	545,000.00	543,375.90	544,944.30	2.100	2.104	2.133	745	10/15/2020
90327CAC4	50441	USAA Auto Owner Trust		09/21/2016	87,876.51	87,613.76	87,862.06	1.200	1.204	1.221	623	06/15/2020
		Subtotal and Average	8,525,742.96		8,414,579.85	8,339,659.72	8,377,607.20		1.979	2.006	1,066	
		Total and Average	120,786,295.86		121,537,997.45	120,023,201.22	121,359,274.21		1.863	1.889	535	

**City of Vallejo
Portfolio Management
Portfolio Details - Cash
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity
Average Balance			0.00								0
Total Cash and Investments			120,786,295.86		121,537,997.45	120,023,201.22	121,359,274.21		1.863	1.889	535



**Vallejo Housing Authority
Portfolio Management
Portfolio Summary
September 30, 2018**

City of Vallejo
555 Santa Clara Street
Vallejo, Vallejo, CA 94590
(707)648-4592

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Local Agency Investment Fund	768,321.22	768,321.22	768,321.22	100.00	1	1	2.035	2.063
Investments	768,321.22	768,321.22	768,321.22	100.00%	1	1	2.035	2.063

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	1,263.10	3,742.48
Average Daily Balance	768,321.22	767,887.56
Effective Rate of Return	2.00%	1.93%

I hereby certify that the investments listed in this report conform to the City of Vallejo Housing Authority investment policy and California Government Code and that it provides sufficient cashflow to meet the Housing Authority's anticipated cash needs for the next six months.

Ron Millard 2018-11-05
Ron Millard, Finance Director/Treasurer

Reporting period 09/01/2018-09/30/2018

Run Date: 11/01/2018 - 14:12

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32 of 577

**Vallejo Housing Authority
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Local Agency Investment Fund												
LAIF	10000	Local Agency Investment Fund			768,321.22	768,321.22	768,321.22	2.063	2.035	2.063	1	
		Subtotal and Average	768,321.22		768,321.22	768,321.22	768,321.22		2.035	2.063	1	
		Total and Average	768,321.22		768,321.22	768,321.22	768,321.22		2.035	2.063	1	



DATE: December 18, 2018
TO: Chair and Members of the Vallejo Housing Authority Board
FROM: Dawn G. Abrahamson, Secretary
SUBJECT: SCHEDULE OF REGULAR VALLEJO HOUSING AUTHORITY MEETING DATES FOR 2019 AND 2020

RECOMMENDATION

Adopt a Resolution establishing a schedule of regular Vallejo Housing Authority meeting dates for 2019 and 2020.

REASONS FOR RECOMMENDATION

Article IV, Section I of the By-laws of the Vallejo Housing Authority state that “the Housing Authority shall hold regular meetings at such time and place as may from time to time be determined by Resolution of the Authority.”

Resolution No. 96-06 adopted on September 17, 1996, established the schedule for regular meetings of the Vallejo Housing Authority to be held quarterly or as needed on the third Tuesday of the month at 6:45 p.m. in the Council Chambers.

BACKGROUND AND DISCUSSION

On November 27, 2018, the City Council adopted Resolution No. 18-__ N.C. establishing a meeting schedule for 2019 and 2020 for regular meetings to be held at 7:00 p.m. on the second and fourth Tuesdays of each month, with the exception of meetings held in the months of November and December. In consideration of the schedule already adopted by the City Council and historically the number of meetings held by the Vallejo Housing Authority in recent years, staff proposes that the Authority Board establish a regular quarterly meeting schedule, and that these meetings be scheduled to coincide with the second meeting of the month of the City Council at 6:45 p.m., prior to the City Council meetings.

The attached Resolution provides for specific dates for regular Vallejo Housing Authority meetings for calendar years 2019 and 2020. The Board may also continue to hold special meetings as necessary.

FISCAL IMPACT

There is no fiscal impact associated with the adoption of the meeting schedule.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	Schedule+of+Regular+Meetings+Dates+2019+2020 SE
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CONTACT

Dawn G. Abrahamson, Secretary, (707) 648-4528

Dawn.Abrahamson@cityofvallejo.net

RESOLUTION NO. 18-

A RESOLUTION ESTABLISHING A VALLEJO HOUSING AUTHORITY REGULAR MEETING SCHEDULE FOR CALENDAR YEARS 2019 AND 2020

WHEREAS, Resolution No. 96-06 adopted on September 17, 1996, the schedule for regular meetings of the Vallejo Housing Authority to be held quarterly or as needed on the third Tuesday of the month at 6:45 p.m.; and

WHEREAS, the Vallejo Housing Authority desires to hold its meetings on the same dates of City Council meetings, just prior to the City Council's regular meetings; and

WHEREAS, it has been determined that regular meetings should be scheduled quarterly, and that special meetings may be held as necessary.

NOW, THEREFORE, BE IT RESOLVED that the Board of the Vallejo Housing Authority will hold its regular meetings of the Vallejo Housing Authority at 6:45 p.m. in the Council Chambers, located at 555 Santa Clara Street, Vallejo, California on the following dates for the Calendar Years 2019 and 2020.

<u>2019</u>	<u>2020</u>
March 26	March 24
June 25	June 23
September 24	September 22
December 17	December 15

Adopted by the Board of the Vallejo Housing Authority of the City of Vallejo at a regular meeting held on December 18, 2018, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

BOB SAMPAYAN, CHAIR

ATTEST:

DAWN G. ABRAHAMSON, SECRETARY

Approved as to form:
By: *Shamir Edueyer* for
Claudia Quintana
City Attorney



DATE: December 18, 2018
TO: Chair and Members of the Vallejo Housing Authority Board
FROM: Judy Shepard-Hall, Housing & Community Development Manager
SUBJECT: **HOUSING SUCCESSOR AGENCY ANNUAL REPORT REGARDING THE LOW AND MODERATE INCOME HOUSING ASSET FUND FOR FISCAL YEAR 2017-18**

RECOMMENDATION

Approve the Vallejo Housing Authority (VHA) Housing Successor Agency Annual Report Regarding the Low and Moderate Income Asset Fund (LMIHAF) for Fiscal Year (FY) 2017-18, and direct staff to: (1) forward the Report to the State of California Department of Finance by no later than December 31, 2018, and (2) post the Report to the City of Vallejo's website.

REASONS FOR RECOMMENDATION

Housing Successor Agencies are required to provide an Annual Report to the State of California within six months of the end of the fiscal year, and to provide an Independent Audit to the local legislative body within the same time frame.

BACKGROUND AND DISCUSSION

In December, 2018 the Vallejo City Council is scheduled to approve the City of Vallejo's Comprehensive Annual Financial Report (CAFR) for FY 2017-18. The Independent Audit of the LMIHAF will be contained within the CAFR. The City must adhere to expenditure limits and annual reporting related to housing assets of the former Vallejo Redevelopment Agency that are now held by the Housing Successor, the VHA. A copy of the Housing Successor Annual Report for FY 2017-18 (Report) is attached. The Report requires review by the VHA Board, and then submission to the State Department of Finance by December 31, 2018.

The Report highlights activities and assets for FY 2017-18, based on the Independent Audit. The Report outlines that the VHA's responsibilities, acting as Successor Agency, are primarily loan administration and repayment. In addition, there are no outstanding replacement or inclusionary housing obligations as defined by the Five Year Implementation Plan (FY 2009-10 through FY 2013-14) for the Vallejo Redevelopment Agency, approved in July 2010 per Resolution No. 10-011.

From January 1, 2004 to January 1, 2014 64.8 percent of all deed-restricted housing created with assistance from the former Redevelopment Agency were senior residential units. Pursuant to California law, the VHA may not expend any additional funds from the LMIHAF to assist seniors until the total number of all assisted rental housing units reaches 50 percent. The purpose of this State regulation is to ensure equitable housing affordability among all populations. Finally, the Report indicates that the Successor Agency has accumulated a fund balance of \$2.0 million in LMIHAF as of June 30, 2018. In June, 2018 a total of \$1.6 million in LMIHAF funds were earmarked for the construction of permanent supportive housing units for homeless Vallejo residents, pursuant to a Loan Agreement between the Housing Authority and Eden Housing, Inc. for the

**Subject: HOUSING SUCCESSOR AGENCY ANNUAL REPORT REGARDING THE LOW AND MODERATE
INCOME HOUSING ASSET FUND FOR FISCAL YEAR 2017-18**

development of properties located at 2118 and 2134-36 Sacramento Street. The Sacramento Street site was acquired by the City of Vallejo in December, 2017.

FISCAL IMPACT

This action does not require funding, and will therefore have no fiscal impact on the City of Vallejo's General Fund.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	Housing Successor Agency Report FY 2017-18
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CONTACT

Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408

judy.shepard-hall@cityofvallejo.net

Housing Successor Annual Report Regarding the
Low and Moderate Income Housing Asset Fund
For Fiscal Year (FY) 2017-18

Pursuant to California Health and Safety Code Section 34176.1 (f)

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1 (f) and is dated December 19, 2018.

This Report sets forth certain details of the activities of the Housing Authority of the City of Vallejo (Authority) acting as Housing Successor during FY 2017-18.

The purpose of this Report is to provide the governing body of the Authority an annual report on the LMIHAF housing assets and activities of the Authority under Part 1.85, Division 24 of the California Health and Safety Code, in particular section 34176 and 34176.1 (Dissolution Law).

The following Report is based upon the information prepared by the City of Vallejo's Finance Department, Housing and Community Development Division, and information contained within the independent audit of the Low and Moderate Income Housing Asset Fund included in the City of Vallejo Comprehensive Annual Financial Report for Fiscal Year 2017-18 (Audit). Further, this Report conforms with and is organized into sections I. through XI. Pursuant to Section 34176.1 (f) of the Dissolution Law:

- I. **Amount Deposited into LMIHAF:** This section provides the total amount of funds deposited in the LMIHAF during the Fiscal Year. Any amounts deposited for the items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.

A total of \$429,478 was deposited into LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, \$0 was held for items listed on the ROPS.

Approved as to form:
By: *Shamail Edmeyer for*
Claudia Quintana
City Attorney

II. Ending Balance of LMIHAF: This section provides a statement of balance in the LMIHAF as of the close of the Fiscal Year. Any amounts deposited for the items listed on the ROPS must be distinguished from the other amounts deposited.

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$2,041,045, of which \$0 is held for items listed on the ROPS.

III. Description of Expenditures from LMIHAF: This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year. There were no expenditures made from the LMIHAF during the Fiscal Year.

Monitoring and Administration Expenditures	\$0
Homeless Prevention and Rapid Rehousing Services Expenditures	\$0
Loan Repayment to CalHFA – RDLP Loan (Loan funds received and invested in project prior to 1-10-12)	\$0
Housing Development Expenditures	
- For Low Income Units	\$0
- For Very Low Income Units	\$0
- For Extremely Low Income Units	\$0
Total LMIHAF Expenditures in Fiscal Year	\$0

IV. Statutory Value of LMIHAF Assets Owned by the Authority: This section provides the statutory value of LMIHAF real property owned by the Authority, the value of loans and grants receivables, and the sum of these two amounts.

Statutory Value of LMIHAF Real Property Owned by Housing Authority	\$0
Value of the LMIHAF Loans and Grants Receivables	\$12,379,234
Total Value of Authority LMIHAF Assets	\$12,379,234

V. Description of Transfer: This section describes transfer, if any, to another housing successor agency made in previous Fiscal Year(s), including whether the funds are unencumbered and the status of the projects, if any for which the transferred LMIHAF will be used. The sole purpose of the transfer must be for

the development of transit priority projects, permanent supportive housing, housing for agricultural employees, or special needs housing.

The Authority transferred \$500,000 in LMIHAF excess surplus to non-federal HOME Program match under Section 34176.1 (c) (2) in FY 2015-16.

VI. Project Descriptions: This section describes any project for which the Authority receives or holds property tax revenue pursuant to the ROPS and the status of that project.

The Authority did not receive or hold property tax revenue pursuant to the ROPS during the Fiscal Year.

However this Report presents an information only status update as of the date of the report on LMIHAF housing projects that were not yet complete on or after February 1, 2012, whose completion activities were facilitated with ROPS funds paid by the Successor Agency of the City of Vallejo.

The Authority did not initiate or conclude any housing projects during the Fiscal Year.

VII. Status of Compliance with the California Health & Safety Code Section 33334.16: This section provides a status on compliance with Section 33334.16 for interest in LMIHAF real property acquired by the former redevelopment agency *prior* to February 1, 2012, and for LMIHAF real property acquired on or *after* February 1, 2012.

With respect to interests in real property acquired by the former redevelopment agency prior to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Department of Finance (DOF) approved the property as a housing asset in the LMIHAF; thus, as the real property acquired by the former redevelopment agency now held by the Authority in the LMIHAF, the Authority must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date of the DOF approved such property as a housing asset.

Section 34176.1 provides that Section 33334.16 does not apply to interests in the LMIHAF real property acquired by the Authority on or after February 1, 2012; however, this Report presents an information only status update on the LMIHAF projects related to such real property.

No property or properties have been acquired by the Authority using LMIHAF on or after February 1, 2012.

VIII. Description of Outstanding Obligations under Section 33413: This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012, along with the Authority's progress in meeting those prior obligations of the former redevelopment agency.

Replacement Housing Obligation: According to the Five-Year Implementation Plan for Fiscal Year 2009-10 through 2013-14 for the former redevelopment agency, there were no replacement housing obligations that were outstanding that were transferred to the Authority. However, as the result of the Buchongo Settlement Agreement executed in July 1999, the former redevelopment agency agreed to provide 425 affordable housing units to low and moderate income residents. The Implementation Plan reflected that although the obligation had been substantially met, the former redevelopment agency was required to produce an additional eight units. The final eight units were completed through the rehabilitation of the Temple Art Lofts prior to the transfer of housing obligations to the Authority. As such, the Authority met the obligations for the production of affordable housing.

As noted in the Plan, these replacement housing obligations were met (in terms of the number of bedrooms and by affordability levels) either through onsite replacement of units or through relaying on the excess affordable residential units constructed within the required time frame.

There were no additional projects that incurred replacement obligations between the date the Plan was written July 27, 2010 - Resolution 10-011 and the dissolution of the Redevelopment Agency of the City of Vallejo (i.e., January 10, 2012 - Resolution 12-001) on February 1, 2012.

Inclusionary/Production Housing Obligation: According to the 2010-14 Implementation Plan for the former redevelopment agency, no Section 33413 (b) inclusionary/production housing obligations were transferred to the Authority.

As noted, the Authority met the obligations for the production of affordable housing that had resulted from construction of new residential units listed in the Plan.

Production housing obligations were met (in terms of the number of units and by affordability levels) either through onsite replacement of units or through relying on the excess affordable residential units of appropriate affordability levels that were constructed within the required time frames.

There were no additional projects that incurred housing production obligations between the date that report was written and the dissolution of the former Redevelopment Agency of the City of Vallejo on February 1, 2012

The former redevelopment agency's Implementation Plans are posted on the City's website at www.cityofvallejo.net.

- IX. Extremely Low Income Test:** This section provides the information required by Section 34176.1 (a) (3) (B) requires that the Authority must require at least 30 percent of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30 percent or less of the area median income (AMI). If the Authority fails to comply with the Extremely-Low Income requirement in any five-year report, then the Authority must ensure that at least 50 percent of the funds remaining in the LMIHAF be expended in each fiscal year following the latest fiscal year following the report on households earning 30 percent or less of the AMI until the Authority demonstrates compliance with the Extremely-Low Income requirement. This information is not required to be reported until 2019 for the 2014–19 period.
- X. Senior Housing Test:** This section provides the percentage of units of deed restricted rental housing restricted to seniors and assisted individuals or jointly by the Authority, its former redevelopment agency, and its host jurisdiction

within the previous ten years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the Authority, its former redevelopment agency and its host jurisdiction within the same period.

For this Report the ten year period is January 1, 2004 to January 1, 2014.

The Authority is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Authority, the former redevelopment agency and/or the City within the previous ten years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Authority, the former redevelopment agency, and/or City within the same time period. If this percentage exceed 50%, then the Authority cannot expend future funds in the LMIHAF to assist additional senior housing units until the Authority or City assists and construction has commenced on a number of restricted rental units that is equal to 50 percent of the total amount of deed-restricted rental units.

Vallejo Senior Housing Test	January 1, 2004 through January 1, 2014
Number of Assisted Senior Rental	443
Number of Total Assisted Rental Units	683
Senior Housing Percentage	64.8

- XI. Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Authority has had surplus, and the Authority’s plan for eliminating the surplus.

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited in to the account during the Authority’s preceding four Fiscal Years, whichever is greater.

Surplus Test for FY 2017-18:

Beginning Fund Balance as of 6-30-17 \$1,611,567

Deposits:

Principal payments \$229,428

Interest payments	\$133,132	
Transfer In	\$66,918	
		\$429,478
Less:		
Expenditures		____ \$(0)
Ending Fund Balance as of 6-30-18		\$2,041,045
Less: Encumbrance (Sacramento Street Permanent Supportive Housing Project)		<u>\$1,600,000</u>
Unencumbered Fund Balance as of 6-30-2018		<u>\$441,045 A</u>
Limitation (Greater of \$1,000,000 or four years deposits)		
FY 2014-15		\$357,645
FY 2015-16		\$401,430
FY 2016-17		\$667,276
FY 2017-18		<u>\$429,478</u>
Total Prior year deposits		<u>\$1,855,829</u>
Base limitation		<u>\$1,000,000</u>
Greater of \$1,000,000 or total deposits		<u>\$1,855,829 B</u>
Computed Excess / Surplus (A-B)		<u>None</u>

The LMIHAF does not have an Excess Surplus. For the past four fiscal years, the unencumbered amount in the LMIHAF has not exceeded the aggregated amount deposited in the fund. The Housing Successor has been in existence for seven years. Based upon the deposits received during the preceding four years, the LMIHAF has no Surplus.

XII. Inventory of Homeownership Units: This section provides an inventory of homeownership units assisted by the former redevelopment agency or the Housing Successor that is subject to covenants or restrictions, or to an adopted program that protects the former redevelopment agency's investment of monies from the LMIHAF pursuant to subdivision (f) of Section 33334.3.

Number of units	3
Number of units lost to the LMIHAF after February 1, 2012	0
Funds returned to LMIHAF	\$0
Contracts with outside entities for management of units	0



DATE: December 18, 2018
TO: Chair and Members of the Vallejo Housing Authority Board
FROM: Judy Shepard-Hall, Housing & Community Development Manager
SUBJECT: AMENDMENT TO LOAN AGREEMENT BY AND BETWEEN THE VALLEJO HOUSING AUTHORITY AND EDEN HOUSING, INC.

RECOMMENDATION

Authorize the City Manager to execute the First Amendment to the Loan Agreement by and between the Vallejo Housing Authority and Eden Housing, Inc. (Loan Agreement) for the planning, development, and construction of permanent supportive housing at 2118 and 2134-2136 Sacramento Street to update the Performance Schedule.

REASONS FOR RECOMMENDATION

It is appropriate at this time to make certain revisions to the Loan Agreement at Attachment No. 7, Preliminary Schedule for Development, due to changes in the performance schedule that have occurred since the Board approved the Agreement in June 2018.

BACKGROUND AND DISCUSSION

On June 26, 2018 the Housing Authority Board approved a Loan Agreement with Eden Housing, Inc. in the amount of \$1.6 million from the Housing Successor Agency Low and Moderate Income Housing Asset Fund (LMIHAF) for the development of permanent supportive housing for homeless persons at 2118 and 2134-36 Sacramento Street. Eden Housing was selected as the preferred developer after the completion by staff of a competitive Request for Qualifications (RFQ) process which began in February, 2018. Federal Community Development Block Grant (CDBG) Program, federal HOME Investment Partnerships Program, and Participatory Budgeting (Measure B) funds have also been allocated to this effort. The City of Vallejo acquired these properties in December, 2017 in order to complete this project. Supportive services will also be provided at the site.

The Loan Agreement was executed in early Fiscal Year (FY) 2018-19. The Loan Agreement includes a Preliminary Schedule for Development (Attachment No. 7), which provides the parties with a guideline for the completion of this project. Subsequent to the execution of the Agreement, staff and the developer have recognized that certain initial due dates have not been met. Staff does not deem these delays to be significant; however, because Eden Housing has missed deadlines, this Amendment is being brought to the Board at this meeting because technically, Eden Housing is in default of the Agreement. This is also an opportunity for the Board to consider other amendments to the schedule. For example, the Loan Agreement states that the developer will begin a community engagement process and secure community support for the project starting in July 2018. In retrospect, this timeline was ambitious, since the Loan Agreement was not fully executed until August 2018. As a result, the engagement process by Eden Housing started in November 2018 and it is anticipated that this process will be concluded in February 2019.

The First Amendment to the Loan Agreement as proposed is shown at Attachment 1. Staff recommends the following changes, as summarized below.

PRELIMINARY SCHEDULE FOR DEVELOPMENT

MILESTONE	EXISTING DATE	REVISED DATE
Selection of Developer	May 2018	June 2018
Execute LMIHAF Loan Agreement	June 2018	August 2018
Begin Community Engagement Process and Secure Community Support for the Development	July 2018	November 2018 - February 2018
Execute Additional Loan Agreements with the City (CDBG, HOME, etc)	October 2018	February 2018
Execution of Development Agreement	December 2018	February 2018
Entitlement and Planning Application Submittal and CEQA Review	January 2019	March 2019

Staff believes that with the proposed revisions to the schedule of performance, Eden Housing will be able to adhere to the remainder of the timeline in the Loan Agreement, and complete construction of the development by September 2021.

FISCAL IMPACT

There is no fiscal impact associated with amending the loan agreement to reflect these proposed changes in the performance schedule.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	First Amendment to Eden Housing Loan Agreement 20181218
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CONTACT

Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408
judy.shepard-hall@cityofvallejo.net

**FIRST AMENDMENT TO
LOAN AGREEMENT BY AND BETWEEN
VALLEJO HOUSING AUTHORITY
AND
EDEN HOUSING, INC.**

This First Amendment to the Loan Agreement made and entered into on June 26, 2018, hereafter referred to as Agreement, between Eden Housing, Inc., the [insert Consultant's name], a California nonprofit public benefit corporation, therein referred to as the "Borrower", and the City of Vallejo Housing Authority, a public body, corporate and politic, therein referred to as the "Agency", is made and entered into on this 18th day of December, 2018.

Borrower and Agency do mutually agree as follows:

1. **Amendment to Attachment No. 7.** Attachment No. 7 shall be modified and replaced to read, in part:

PRELIMINARY SCHEDULE FOR DEVELOPMENT

<u>Milestone</u>	<u>Date</u>
Selection of Developer	June 2018
Execute LMIHAF Loan Agreement	June 2018
Begin Community Engagement Process and Secure Community Support for the Development	November 2018 - February 2019
Execute additional Loan Agreements with the City of Vallejo (CDBG, HOME, etc.)	February 2019
Execution of Development Agreement	February 2019
Entitlement and Planning Application Submittal and CEQA Review	March 2019"

2. **Integration.** This First Amendment contains the entire Agreement between the parties with respect to its subject matter and supersedes whatever oral or written understanding they may have had prior to the execution of this First Amendment. This First Amendment shall not be amended or modified except by a written agreement executed by each of the parties. Except as specifically revised herein, all terms and conditions of the Agreement shall remain in full force and effect, and Borrower shall perform all duties, obligations, and conditions required under the Agreement.

Approved as to form:
By: *Shamar Edmeyer* for
Claudia Quintana
City Attorney

3. Inconsistencies. In the event of any conflict or inconsistency between the provisions of this First Amendment and the Agreement, the provisions of this First Amendment shall control in all respects.

4. Ambiguities. The parties have each carefully reviewed this First Amendment and have agreed to each term of this First Amendment. No ambiguity shall be presumed to be construed against either party.

5. Counterparts. This First Amendment may be executed by the parties in one or more counterparts, all of which collectively shall constitute one document and agreement.

6. Facsimile Signatures. This First Amendment shall be binding upon the receipt of facsimile signatures; provided, however, that any person transmitting his or her signature by facsimile shall promptly send an original signature to the other party at the addresses noted below:

Agency: City of Vallejo Housing Authority
200 Georgia Street
Vallejo, CA 94590
Attn: Executive Director

Borrower: Eden Housing, Inc.
22645 Grand Street
Hayward, CA 94541
Attn: Senior Vice President of Real Estate Development

7. Authority. The person signing this First Amendment for Borrower hereby represents and warrants that he or she is fully authorized to sign this First Amendment on behalf of Borrower.

(SIGNATURES ARE ON THE FOLLOWING PAGE)

IN WITNESS WHEREOF, the parties have entered into this First Amendment on the day and year first hereinabove appearing.

EDEN HOUSING, INC.,
a California nonprofit public benefit corporation

CITY OF VALLEJO HOUSING AUTHORITY,
a public body, corporate and politic

BY: _____

BY: _____
GREG NYHOFF
Executive Director

DATE: _____

DATE: _____

*BY: _____

ATTEST: _____
DAWN ABRAHAMSON
Secretary

(Housing Authority Seal)

APPROVED AS TO CONTENT:

JUDY SHEPARD-HALL
Housing and Community Development
Manager

APPROVED AS TO FORM:

CLAUDIA QUINTANA
Legal Counsel

APPROVED AS TO INSURANCE:

HERBERT LESTER
Risk Manager

****[NOTE: IF CONSULTANT IS A CORPORATION THEN TWO (2) SIGNATURES ARE REQUIRED. ONE OFFICER FROM EACH GROUP IDENTIFIED BELOW. A SINGLE SIGNATURE IS PERMITTED WHEN AN INDIVIDUAL HOLDS AN OFFICE LISTED IN EACH GROUP. FOR LARGE CONSULTANTS THIS REQUIREMENT CAN BE WAIVED BUT CONSULT WITH CITY ATTORNEY' S OFFICE FIRST]***

[INSERT NAME AND TITLE - GROUP 1: BOARD CHAIRMEN, PRESIDENT OR VICE PRESIDENT]

[INSERT NAME AND TITLE - GROUP 2: SECRETARY, ASST. SECRETARY, CHIEF FINANCIAL OFFICER OR ASST. TREASURER]

**VALLEJO CITY COUNCIL
REGULAR MEETING – 7:00 PM**

**JOHN F. KENNEDY LIBRARY
THE VALLEJO ROOM
LOWER LEVEL
505 SANTA CLARA STREET
VALLEJO, CA**

DECEMBER 18, 2018

- 1. CALL TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ROLL CALL**
- 4. PRESENTATIONS AND COMMENDATIONS**
 - A. PRESENTATION OF A PROCLAMATION DECLARING JANUARY 21, 2019
"DR. MARTIN LUTHER KING, JR DAY"**
 - B. PROCLAMATION RECOGNIZING VALLEJO MEDIC AMBULANCE OWNER-
JIMMY PIERSON WINNING STATEWIDE EMT OF THE YEAR HONORS**
- 5. FIRST COMMUNITY FORUM**

Anyone wishing to address the Council on any matter for which another opportunity to speak is not provided on the agenda, and which is within the jurisdiction of the Council to resolve, is requested to submit a completed speaker card to the City Clerk. When called upon, each speaker should step to the podium, state his /her name, and address for the record. The conduct of the community forum shall be limited to a maximum of fifteen (15) minutes, with each speaker limited to three minutes pursuant to Vallejo Municipal Code Section 2.20.300.
- 6. PUBLIC COMMENT REGARDING CONSENT CALENDAR ITEMS**

Members of the public wishing to address the Council on Consent Calendar Items are requested to submit a completed speaker card to the City Clerk. Each speaker is limited to three minutes pursuant to Vallejo Municipal Code Section 2.02.310. Requests for removal of Consent Items received from the public are subject to approval by a majority vote of the Council. Items removed from the Consent Calendar will be heard immediately after approval of the Consent Calendar and Agenda.
- 7. CONSENT CALENDAR AND APPROVAL OF AGENDA**
 - A. APPROVAL OF MINUTES**

Recommendation: Approve the City Council minutes for the meetings of 1) December 11, 2018 (special) and 2) December 11, 2018 (regular).
Contact: Dawn G. Abrahamson, City Clerk (707) 648-4528
Dawn.Abrahamson@cityofvallejo.net

- B. ADOPTION OF ORDINANCE AMENDMENTS TO ADD CANNABIS RETAIL AND LABORATORY TESTING**
Recommendation: Adopt three ordinances amending the Vallejo Municipal Code as follows: 1) Retail sales of cannabis; 2) Cannabis testing laboratories; and 3) Transferability of local regulatory permit.
Contact: Joanna Altman, Assistant to the City Manager (707) 648-4362
Joanna.Altman@cityofvallejo.net
- C. CITY TREASURER'S INVESTMENT REPORT**
Recommendation: Accept the City Treasurer's Investment Report for the quarter ended September 30, 2018.
Contact: Ron Millard, Finance Director, (707) 648-4592
ron.millard@cityofvallejo.net
- D. SERVICE AGREEMENT WITH VALLEJO CONVENTION AND VISITORS BUREAU**
Recommendation: Authorize the City Manager to execute a service agreement with the Vallejo Convention and Visitors Bureau (VCVB) for marketing services for a three year term, with an option to extend yearly, not to exceed five years.
Contact: Annette Taylor, Senior Community Development Analyst (707) 649-3510
annette.taylor@cityofvallejo.net
- E. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM BUDGET AMENDMENT**
Recommendation: Adopt a Resolution to amend the Fiscal Year (FY) 2018-19 Community Development Block Grant Program Budget (CDBG Program Budget) to increase the expenditure budget by \$601,128 and to reauthorize funding for projects and activities in progress.
Contact: Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408
judy.shepard-hall@cityofvallejo.net
- F. HOME INVESTMENT PARTNERSHIPS PROGRAM BUDGET AMENDMENT**
Recommendation: Adopt a Resolution to amend the Fiscal Year (FY) 2018-19 HOME Investment Partnerships Program Budget (Home Program) to increase the expenditure budget by \$1,990,319 and reauthorize funding for projects and activities in progress.
Contact: Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408
judy.shepard-hall@cityofvallejo.net

G. FISCAL YEAR 2019-20 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AND HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDING PROCESS

Recommendation: Authorize the City Manager to approve a process for the allocation of Fiscal Year (FY) 2019-20 Community Development Block Grant (CDBG) and Home Investment Partnerships Program Funding (HOME Program) funds as outlined in the Staff Report.

Contact: Judy Shepard-Hall, Housing & Community Development Manager
(707) 648-4408

judy.shepard-hall@cityofvallejo.net

H. AMEND THE FY 2018-19 BUDGET AND AWARD CONSTRUCTION CONTRACT FOR WATER MAINS CIP FY 2018-19 PROJECT

Recommendation:

1. Adopt a Resolution amending the Water Mains CIP FY2018-19 Project budget by transferring \$200,000 from the City Water Operating Fund balance, increasing the project budget to \$1.2M.
2. Adopt a Resolution approving the plans and specifications for the Water Mains Capital Improvements FY 2018-19 Project and authorize the City Manager to award a construction contract in the amount of \$1,138,270 to Team Ghilotti, Inc., of Petaluma, CA, in accordance with the approved plans and specifications.

Contact: Mike Malone, Water Director, 707-648-4308

mike.malone@cityofvallejo.net

I. MEMORANDUM OF UNDERSTANDING WITH COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY FOR COORDINATED ENTRY

Recommendation: Adopt a resolution approving a Memorandum of Understanding (MOU) with the Community Action Partnership Solano Joint Powers Authority (CAP Solano JPA) for a Coordinated Entry System.

Contact: Judy Shepard-Hall, Housing & Community Development Manager
(707) 648-4408

judy.shepard-hall@cityofvallejo.net

J. AMENDMENT TO THE FY 2013-14 INSTRUMENTATION, CALIBRATION AND MAINTENANCE SERVICES CONTRACT WITH TELSTAR INSTRUMENTS, INC.

Recommendation: Authorize the City Manager to execute the Fifth Amendment to the Fiscal Year 2013-2014 Instrumentation Calibration and Maintenance Services Contract with Telstar Instruments, Inc. extending the term by six months to June 30, 2019, and increasing the compensation by \$100,000 for a new total contract not-to-exceed amount of \$742,360.

Contact: Mike Malone, Water Director (707) 648-4308

Mike.Malone@cityofvallejo.net

K. EXCLUSIVE NEGOTIATING AGREEMENT WITH EDEN HOUSING INC. FOR PROPERTY AT 2118 & 2134-2136 SACRAMENTO STREET

Recommendation: Authorize the City Manager to execute an Exclusive Negotiating Agreement (ENA) with Eden Housing Inc. (Eden Housing) for the property at 2118 & 2134-2136 Sacramento Street, in order to facilitate the development of affordable, permanent supportive housing units.

Contact: Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408

judy.shepard-hall@cityofvallejo.net

8. ACTION CALENDAR

NOTICE: Members of the public wishing to address the Council on Action Calendar Items are requested to submit a completed speaker card to the City Clerk. Each speaker is limited to five minutes pursuant to Vallejo Municipal Code Section 2.02.420.

A. COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Recommendation: Adopt a resolution assigning fund balance and accept the City's Comprehensive Annual Financial Report (CAFR) and Memorandum on Internal Controls and Required Communications (MOIC) for the fiscal year ended June 30, 2018.

Contact: Ron Millard, Finance Director, (707) 648-4592

Ron.Millard@CityofVallejo.net

9. INFORMATION CALENDAR

10. CITY MANAGER'S REPORT

A. ORCEM/VMT PROJECT UPDATE

11. CITY ATTORNEY'S REPORT

12. COMMUNITY FORUM

Anyone wishing to address the Council on any matter for which another opportunity to speak is not provided on the agenda, and which is within the jurisdiction of the Council to resolve, is requested to submit a completed speaker card to the City Clerk. When called upon, each speaker should step to the podium, state his /her name, and address for the record. Each speaker is limited to three minutes pursuant to Vallejo Municipal Code Section 2.20.300.

13. REPORT OF THE PRESIDING OFFICER AND MEMBERS OF THE CITY COUNCIL

14. CLOSED SESSION

15. ADJOURNMENT

ADDITIONAL CITY INFORMATION

Members of the public can:

Like us on Facebook (www.facebook.com/cityofvallejo)

Sign up to receive City Communications via e-mail (www.cityofvallejo.net/living/connect)

Sign up to receive City updates and get connected with your neighbors on Nextdoor (www.nextdoor.com)

Dated: Thursday, December 13, 2018



Bob Sampayan, Mayor

I, Dawn Abrahamson, City Clerk do hereby certify that I have caused a true copy of the above notice and agenda to be delivered to each of the members of the Vallejo City Council, at the time and in the manner prescribed by law and that this agenda was posted at City Hall, 555 Santa Clara Street, CA at 5:00 p.m., Thursday, December 13, 2018.

Dated: Thursday, December 13, 2018



Dawn G. Abrahamson, City Clerk



PROCLAMATION

IN RECOGNITION OF DR. MARTIN LUTHER KING, JR. DAY – JANUARY 21, 2019

WHEREAS, On January 15, 1929, the Reverend Doctor, Martin Luther King Jr. was born in Atlanta, Georgia; and

WHEREAS, he dedicated his life to a non-violent movement that urged our country to expand the reach of freedom and equal opportunity for all residents; and

WHEREAS, on August 28, 1963, in Washington DC, Dr. King delivered his “I Have a Dream” speech to a quarter million people that took part in “the greatest demonstration of freedom in the history of our nation,” sharing the dream that our nation would one day make real the promise of Liberty, Equality and Justice for all; and

WHEREAS, on the same day, approximately 800 Vallejo residents marched peacefully in downtown Vallejo carrying signs depicting racial equality while singing the iconic Civil Rights song, “We Shall Overcome”; and

WHEREAS, the march on Washington ended a time when the call for Civil Rights was met with imprisonment, bomb threats and brutality and where the marchers chose to respond with nonviolent resistance, paving the way for two major victories now known as the Civil Rights Act of 1964 and the Voting Rights Act of 1965; and

WHEREAS, we as a nation must reflect with pride on the victories of the Civil Rights Movement but we must guard against continued bigotry and that we pledge in the words of Dr. King, “we will not be satisfied until justice rolls down like the waters and righteousness like a mighty stream”; and

WHEREAS, while the City of Vallejo has been honored as America’s “Most Diverse City,” we must follow in Dr. King’s legacy by becoming leaders for peace and justice for all people.

NOW, THEREFORE, BE IT PROCLAIMED that I, Bob Sampayan, Mayor of the City of Vallejo, and the Vallejo City Council, hereby honor Dr. King’s 90th birthday and commemorate the 56th Anniversary of the March on Washington, D.C.

Dated: December 18, 2018


BOB SAMPAYAN, Mayor

Vice Mayor Katy Miessner
Councilmember Pippin Dew-Costa
Councilmember Jesus “Jess” Malgapo
Councilmember Robert H. McConnell
Councilmember Hermie R. Sunga
Councilmember Rozzana Verder-Aliga, EdD



VALLEJO CITY COUNCIL
SPECIAL MEETING MINUTES
JOHN F. KENNEDY ROOM
LOWER LEVEL
505 SANTA CLARA STREET
VALLEJO, CA

DECEMBER 11, 2018

1. **CALL TO ORDER**

The meeting was called to order at 5:00 p.m.

2. **ROLL CALL**

Present: Mayor Sampayan, Vice Mayor Miessner (arrived at 5:03 p.m.), Councilmembers Dew-Costa, McConnell, Sunga, and Verder-Aliga (arrived at 5:20 p.m.)

Absent: Councilmember Malgapo

Staff present: City Manager Nyhoff, City Attorney Quintana, City Clerk Abrahamson, Human Resources Director Ruiz.

The Council convened into Closed Session at 5:02 p.m.

3. **CLOSED SESSION**

A. Conference with Labor Negotiators Pursuant to Government Code Section 54957.6. Negotiators: Greg Nyhoff, City Manager and Heather Ruiz, Human Resources Director; Employee Organizations: Vallejo Police Officers Association (VPOA).

4. **ADJOURNMENT**

The meeting adjourned at 5:50 p.m.

BOB SAMPAYAN, MAYOR

ATTEST:

DAWN G. ABRAHAMSON
CITY CLERK

VALLEJO CITY COUNCIL
REGULAR MEETING MINUTES
JOHN F. KENNEDY LIBRARY
THE VALLEJO ROOM
LOWER LEVEL
505 SANTA CLARA STREET
VALLEJO, CA

DECEMBER 11, 2018

1. **CALL TO ORDER**

The meeting was called to order at 7:00 p.m.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL**

Present: Mayor Sampayan, Vice Mayor Miessner, Councilmembers Dew-Costa, McConnell, Sunga, and Verder-Aliga

Absent: Councilmember Malgapo

Staff present: City Manager Nyhoff, City Attorney Quintana, and City Clerk Abrahamson

4. **PRESENTATIONS AND COMMENDATIONS**

Action: Presentations were made by members of the Solano County Resource Management and youth delegates who attended the National League of Cities Conference.

A. **SOLANO COUNTY RESOURCE MANAGEMENT PRESENTATION - MOBILE VENDORS AND HOME KITCHENS**

B. **VALLEJO HIGH SCHOOL & JESSE BETHEL HIGH SCHOOL - NATIONAL LEAGUE OF CITIES CONFERENCE PRESENTATION**

5. **FIRST COMMUNITY FORUM**

Speakers: Bernard Norman, Noah Dove, Gladys Castillo, Ryan Messano, and Xulio Soriano.

6. **PUBLIC COMMENT REGARDING CONSENT CALENDAR ITEMS**

Speakers: None.

7. **CONSENT CALENDAR AND APPROVAL OF AGENDA**

Action: Moved by Vice Mayor Miessner and carried unanimously by Councilmembers present, unless otherwise noted, approval of the Agenda and the Consent Calendar with

the removal of Items 7F and 7I from the Consent Calendar making them Items 7.1 and 7.2 respective (Absent: Malgapo).

A. **APPROVAL OF MINUTES**

Recommendation: Approve the City Council minutes for the regular meeting of November 27, 2018.

Contact: Dawn G. Abrahamson, City Clerk (707) 648-4528

Dawn.Abrahamson@cityofvallejo.net

Action: Approved minutes.

B. **PAYMENT OF CLAIMS: OCTOBER**

Recommendation: Ratify the payment of claims for the period October 1, 2018 through October 31, 2018.

Contact: Ron Millard, Finance Director (707) 648-4592

Ron.Millard@CityofVallejo.net

Actions: Ratified payment of claims.

C. **WATER MAINS CIP FY 2018-2019 PROJECT BUDGET ADJUSTMENT**

Recommendation: Receive and file the request to amend the FY2018-19 Water Enterprise budget to appropriate \$200,000 from unrestricted, unencumbered City Water Operating Fund 401 balance to the Water Mains CIP FY2018-19 Project.

Contact: Mike Malone, Water Director, 707-648-4308

mike.malone@cityofvallejo.net

Action: Received and filed the request to amend the FY2018-19 Water Enterprise budget to appropriate \$200,000 from unrestricted, unencumbered City Water Operating Fund 401 balance to the Water Mains CIP FY2018-19 Project.

D. **PURCHASE ORDERS TO MOTOROLA SOLUTIONS, INC. FOR RADIO SUPPLIES**

Recommendation: Authorize the City Manager to issue purchase orders in an amount not to exceed \$150,000 to Motorola Solutions, Inc. for Fiscal Year 2018-19 for the purchase of parts, supplies, and small equipment. This amount does not include the \$550,000 authorized in May 2018 for the 9-1-1 dispatch radio consoles project which is in progress and spans multiple fiscal years.

Contact: Bonnie Mirante, Administrative Manager (707) 648-5565

bonnie.mirante@cityofvallejo.net

Action: Authorize the City Manager to issue purchase orders in an amount not to exceed \$150,000 to Motorola Solutions, Inc. for Fiscal Year 2018-19 for the purchase of parts, supplies, and small equipment. This amount does not

include the \$550,000 authorized in May 2018 for the 9-1-1 dispatch radio consoles project which is in progress and spans multiple fiscal years.

E. **ASSISTANCE TO FIREFIGHTERS GRANT BUDGET ADJUSTMENT**

Recommendation: Adopt a Resolution to amend FY 2018-19 Fire Department General Fund budget in the amount of \$108,296 to permit receipt and disbursement of Federal Emergency Management Agency (FEMA) grant funds.

Contact: Mark Sharpe, Deputy Fire Chief (707) 648-4526

Mark.Sharpe@cityofvallejo.net

Action: Adopted Resolution No. 18-105 N.C.

F. **APPOINTMENT TO THE COMMUNITY ACTION PLAN SOLANO JOINT POWERS AUTHORITY AND HOUSING FIRST SOLANO CONTINUUM OF CARE**

Recommendation: Adopt a resolution appointing Judy Shepard-Hall, Housing and Community Development (HCD) Manager, to the Community Action Partnership Solano Joint Powers Authority (CAP Solano JPA) Board and the Housing First Solano Continuum of Care (HFS CoC), and LaTanya Terrones, Housing Specialist Supervisor, to remain as alternate to both entities.

Contact: Judy Shepard-Hall, Housing and Community Development Manager (707) 648-4408

Judy.Shepard-Hall@cityofvallejo.net

Action: item removed from the Consent Calendar.

Staff responded to questions from Councilmembers.

Action: Moved by Vice Mayor Miessner and carried unanimously by Councilmembers present to adopt Resolution No. 18-106 N.C. (Absent: Malgapo).

G. **RECORDS RETENTION SCHEDULE REVISIONS**

Recommendation: Adopt a Resolution approving the revised City of Vallejo Records Retention Schedule for all City departments.

Contact: Dawn G. Abrahamson, City Clerk (707) 648-4528

Dawn.Abrahamson@cityofvallejo.net

Action: Adopted Resolution No. 18-107 N.C.

H. **IN-N-OUT BURGER TRAFFIC SIGNAL REIMBURSEMENT BUDGET AMENDMENT**

Recommendation: Receive and file the City Manager's request to amend the Fiscal Year 2018-19 Adopted Budget to allocate and appropriate \$516,000 from the Traffic Impact Mitigation Fee (TIMF) Fund for the In-N-Out Traffic

Signal reimbursement.

Contact: Melissa Tigbao, Assistant Public Works Director / City Engineer (707) 648-4085

Melissa.Tigbao@cityofvallejo.net

Action: Received and filed the City Manager's request to amend the Fiscal Year 2018-19 Adopted Budget to allocate and appropriate \$516,000 from the Traffic Impact Mitigation Fee (TIMF) Fund for the In-N-Out Traffic Signal reimbursement.

I. **SAFE ROUTES TO SCHOOL VALLEJO & BENICIA SCHOOLS IMPROVEMENT PROJECT BUDGET AMENDMENT**

Recommendation: Adopt a Resolution amending the FY2018-19 Capital Outlay Fund #201 Budget appropriating \$200,000 to the Safe Routes to School Vallejo & Benicia Schools Improvement Project (SR2S Project).

Contact: Melissa Tigbao, Assistant to Public Works Director / City Engineer (707) 648-4085

Melissa.Tigbao@cityofvallejo.net

Action: item removed from the Consent Calendar.

Speaker: Ryan Messano.

Action: Moved by Vice Mayor Miessner and carried unanimously by Councilmembers present to adopt Resolution No. 18-108 N.C. (Absent: Malgapo).

J. **COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM BUDGET ADJUSTMENT**

Recommendation: Receive and file the City Manager's request to amend FY 2018-19 Community Development Block Grant (CDBG) Program Budget.

Contact: Judy Shepard-Hall, Housing and Community Development Manager (707) 648-4408

judy.shepard-hall@cityofvallejo.net

K. **HOME INVESTMENT PARTNERSHIPS PROGRAM BUDGET ADJUSTMENT**

Recommendation: Receive and file the City Manager's request to amend FY 2018-19 Home Investment Partnerships (HOME) Program Budget.

Contact: Judy Shepard-Hall, Housing and Community Development Manager
(707) 648-4408

judy.shepard-hall@cityofvallejo.net

Action: Received and filed the City Manager's request to amend FY 2018-19 Home Investment Partnerships (HOME) Program Budget.

8. ACTION CALENDAR

A. NORTH MARE ISLAND - NIMITZ GROUP PROGRESS REPORT

Recommendation: Receive and accept an update report from The Nimitz Group, LLC (Nimitz Group) and City staff on progress of negotiations and development activity on North Mare Island.

Contact: Will Morat, Assistant to the City Manager, 707-648-4109

will.morat@cityofvallejo.net

Assistant to the City Manager Morat provided an update on the progress of the negotiations and development activity on North Mare Island. Nathan Bergeron, Chief Operating Officer (Nimitz Group) and Stacy Madigan, Chief Financial Officer discussed the timeline and milestones.

Staff, Mr. Bergeron and Ms. Madigan responded to questions from Councilmembers. Councilmembers provided comment.

Action: No action was taken.

B. QUARTERLY RIDGECREST REPORT -- FY 2017-18 THIRD & FOURTH QUARTERS

Recommendation: Accept the Ridgecrest Quarterly Report as documentation of the reimbursement from the Landscape Maintenance District Program for non-Landscape Maintenance District inspection services during the third & fourth quarters of FY 2017-18 in the total amount of \$10,240.16.

Contact: Terrance Davis, Public Works Director, (707) 648-4301

Terrance.Davis@cityofvallejo.net

Action: Moved by Vice Mayor Miessner and carried unanimously by Councilmembers present accepted the Ridgecrest Quarterly Report as documentation of the reimbursement from the Landscape Maintenance District Program for non-Landscape Maintenance District inspection services during the third & fourth quarters of FY 2017-18 in the total amount of \$10,240.16 (Absent: Malgapo).

C. ORDINANCE AMENDMENTS TO ADD CANNABIS RETAIL AND

LABORATORY TESTING, RESOLUTIONS AMENDING THE NORTHGATE SPECIFIC AREA PLAN AND CANNABIS PERMIT FEES

Recommendation: Introduce three ordinances amending the Vallejo Municipal Code (VMC) as follows: 1) Retail sales of cannabis; 2) Cannabis testing laboratories; and 3) Transferability of local regulatory permit. Adopt two Resolutions as follows: 1) Eliminate the Application Review Meeting fee for the cannabis regulatory permit; and 2) Amend the Northgate Specific Plan to regulate retail sales of cannabis.

Contact: Joanna Altman, Assistant to the City Manager, (707) 648-4362
joanna.altman@cityofvallejo.net

Assistant to the City Manager Altman reviewed the Actions Timeline and outlined the proposed amendments to Title 16 and Chapters 7.200 and 7.100 related to Uses and amendments to Zoning Districts, Conditionally Permitted Uses, regulations for special signs, the Northgate Specific Plan, and Public Safety and Welfare.

Planning Manager Hamid presented the Cannabis Retail Design Toolkit and discussed the components of the Toolkit.

Assistant to the City Manager Altman concluded with the proposed recommendation.

Speakers: Ryan Messano.

Staff responded to questions from Councilmembers. Councilmembers provided comment.

Action: Moved by Vice Mayor Miessner and carried unanimously by Councilmembers present, introduced three ordinances amending the Vallejo Municipal Code (VMC) as follows: 1) Retail sales of cannabis; 2) Cannabis testing laboratories; and 3) Transferability of local regulatory permit with minor changes to Title 16 as distributed to the City Council and changes to correct typographical errors to Chapter 7.200. Adopted Resolution No. 18-109 N.C., a resolution eliminating the Application Review Meeting fee for the cannabis regulatory permit, and adopted Resolution No. 18-110 N.C., a resolution amending the Northgate Specific Plan to regulate retail sales of cannabis (Absent: Malgapo).

D. **ADOPT A RESOLUTION REVISING UNREPRESENTED EXECUTIVE MANAGEMENT EMPLOYEE COMPENSATION, LEAVE, AND BENEFITS**

Recommendation: Adopt a resolution revising compensation and benefits for Unrepresented Executive Management Employees.

Contact: Greg Nyhoff, City Manager (707) 648-4576

greg.nyhoff@cityofvallejo.net

City Manager Nyhoff provided an overview of the revised compensation and benefits package for the Unrepresented Executive Management employees.

Speakers: None.

Staff responded to questions from Councilmembers. Councilmembers provided comment.

Action: Moved by Vice Mayor Miessner and carried unanimously by Councilmembers present to adopt Resolution No. 18-111 N.C. (Absent: Malgapo).

9. INFORMATION CALENDAR – None.

10. CITY MANAGER’S REPORT

City Manager Nyhoff informed the Council and community about the 20 Year Financial Forecast that will be presented to the Council at a special meeting on December 18 starting at 4 p.m. Mr. Nyhoff also informed the Council and community that he would be providing a verbal update on the Orcem/VMT project at the December 18 regular meeting under as part of the City Manager’s Report.

11. CITY ATTORNEY’S REPORT –

City Attorney introduced and welcomed new Chief Assistant City Attorney Randy Risner.

12. COMMUNITY FORUM

Speakers: None.

13. REPORT OF THE PRESIDING OFFICER AND MEMBERS OF THE CITY COUNCIL

Councilmembers reported on various community events and meetings attended.

14. CLOSED SESSION – None.

15. ADJOURNMENT

The meeting adjourned at 10:20 p.m.

BOB SAMPAYAN, MAYOR

ATTEST:

DAWN G. ABRAHAMSON
CITY CLERK

ORDINANCE NO. ____

**AN ORDINANCE OF THE CITY OF VALLEJO MUNICIPAL CODE AMENDING
TITLE 16 RELATED TO CANNABIS USES**

THE COUNCIL OF THE CITY OF VALLEJO DOES ORDAIN AS FOLLOWS:

SECTION 1. Section 16.06.020 of the Vallejo Municipal Code is hereby amended to read as follows:

16.06.020 - Listing of use classifications.

All uses are classified into the following use types, which are described in Section 16.06.050 through Section 16.06.630, inclusive. See Section 16.06.030 for classification of combinations of uses resembling different types.

C. Commercial Use Types:

Administrative and professional services

Agricultural supplies and services

Animal sales and services: auctioning

Animal sales and services: grooming

Animal sales and services: horse stables

Animal sales and services: kennels

Animal sales and services: veterinary (large animals)

Animal sales and services: veterinary (small animals)

Automotive and equipment: cleaning

Automotive and equipment: fleet storage


Automotive and equipment: parking

Automotive and equipment: repairs, heavy equipment

Automotive and equipment: repairs, light equipment

Automotive and equipment: sales/rentals, farm equipment

Automotive and equipment: sales/rentals, heavy equipment

Approved as to Form
By: 
City Attorney

Automotive and equipment: sales/rentals, light equipment
Automotive and equipment: storage, nonoperating vehicles
Building maintenance services
Business equipment sales and services
Business support services
Cannabis testing laboratory
Communications services
Construction sales and services
Convenience sales and personal services
Eating and drinking establishments
Explosive storage
Financial, insurance and real estate services
Food and beverage retail sales
Funeral and interment services: cremating
Funeral and interment services: interring
Funeral and interment services: undertaking
Gasoline sales
Laundry services
Live/work
Medical services
Participant sports and recreation: indoor
Participant sports and recreation: outdoor
Personal services, general
Personal services, consumer
Public entertainment
Research services
Retail sales: general
Retail sales: swap meets

Retail sales: cannabis
Scrap operations
Spectator sports and entertainment: limited
Spectator sports and entertainment: general
Transient habitation: campground
Transient habitation: lodging
Transient habitation: resort
Wholesaling, storage and distribution: light
Wholesaling, storage and distribution: heavy

SECTION 2. Chapter 16.06 of Article I is hereby amended adding Section 16.06.305 and Section 16.06.460(D) to the Vallejo Municipal Code to read as follows:

16.06.305 – Cannabis testing laboratory.

A testing laboratory, facility, or entity which offers or performs tests of cannabis goods to determine its chemical profile, the presence of contaminants, or other similar information. This use must obtain and maintain proper licenses from the State of California.

16.06.460 – Retail sales.

Retail sales refers to places of business primarily engaged in the sale of commonly used goods and merchandise, but excludes those classified as agricultural supplies and services, animal sales and services, automotive and equipment, business equipment sales and services, food and beverage retail sales and gasoline sales. The following are retail sales use types:

- A. General. The retail sale or rental, from the premises, of goods and merchandise for personal or household use, but excluding those uses listed above. Typical uses include department stores, apparel stores or furniture stores.
- B. Swap Meets. The display, exchange, barter or sale of new or used common household items or office equipment and furnishings, providing that such activity is carried on in a swap lot. Typical uses include flea markets where clothing, personal effects, household furnishings and household appliances are sold or otherwise exchanged.
- C. Adult Uses. The retail sale or rental, from the premises, of goods and merchandise for adult use as defined and regulated by Chapter 16.59.
- D. Cannabis. The retail sale or dispensation of cannabis and cannabis products.

SECTION 3. Section 16.06.500 of the Vallejo Municipal Code is hereby amended to read as follows:

16.06.500 - Wholesaling, storage, and distribution.

Wholesaling, storage, and distribution refers to establishments or places of business primarily engaged in wholesaling, storage, distribution and open-air handling of materials and equipment other than live animals and plants. This use type also excludes wholesaling, storage, and distribution of cannabis. The following are wholesaling, storage and distribution use types:

- A. Light. Wholesaling, storage and warehousing services within enclosed structures. Typical uses include wholesale distributors, food and beverage processing and manufacturing plants, storage warehouse or moving and storage firms.
- B. Heavy. Open-air storage, distribution and handling of materials and equipment. Typical uses include monument or stone yards, grain elevators or open storage yards.

SECTION 4. Section 16.06.510 of the Vallejo Municipal Code is hereby amended to read as follows:

16.06.510 - General description of industrial use types.

Industrial use types include the on-site production of goods by methods that are not agricultural or extractive in nature. However, cannabis cultivation, medical marijuana distribution, and medical marijuana manufacturing are included in industrial use types. They also include certain uses accessory to the above, as specified in Chapter 16.58, Accessory and Temporary Use Regulations, except cannabis cultivation, distribution and manufacturing.

SECTION 5. Sections 16.06.544, 16.06.545, and 16.06.546 of the Vallejo Municipal Code are hereby amended to read as follows:

16.06.544 – Cannabis cultivation.

The cannabis cultivation use type refers to commercial activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.

16.06.545 – Cannabis distribution.

The cannabis distribution use type refers to the procurement, sale, and transport of cannabis and cannabis products between persons who are holders of state licenses and local permits.

16.06.546 – Cannabis manufacturing.

The cannabis manufacturing use type refers exclusively to the non-volatile production, preparation, propagation, or compounding of cannabis or cannabis products whether done directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, at a fixed location. This classification also includes infusion consisting of the direct incorporation of cannabis, cannabinoids, or cannabis concentrates into an edible, topical or other product to produce a cannabis product as well as packaging or repackaging cannabis or cannabis products and/or labels or re-labels its container. Volatile methods of production, preparation, propagation, compounding or infusion are prohibited.

SECTION 6. Section 16.06.550 of the Vallejo Municipal Code is hereby amended to read as follows:

16.06.550 - General description of agricultural use types.

Agricultural use types include the on-site production of plant and animal products by agricultural methods. They also include certain uses accessory to the above as specified in Chapter 16.58, Accessory and Temporary Use Regulations. Agricultural use types excludes cannabis cultivation.

SECTION 7. Chapter 16.18 Limited Office District is hereby amended adding Sub-Section 16.18.050 (A.2.) to the Vallejo Municipal Code to read as follows:

16.18.050 - Uses subject to a minor use permit.

The following use types are permitted upon issuance of a minor use permit, as provided in Chapter 16.82:

- A. Commercial Use Types.
 - 1. Live/work.
 - 2. Retail sales: cannabis

SECTION 8. Chapter 16.20 Neighborhood Shopping and Service District is hereby amended adding Sub-Section 16.20.050 (A.2.) to the Vallejo Municipal Code to read as follows:

16.20.050 - Uses subject to a minor use permit.

The following use types are permitted upon issuance of a minor use permit, as provided in Chapter 16.82:

- A. Commercial Use Types.
 - 1. Live/work.
 - 2. Retail sales: cannabis

SECTION 9. Chapter 16.22 Linear Commercial District is hereby amended adding Sub-Section 16.22.050 (A.3.) to the Vallejo Municipal Code to read as follows:

16.22.050 - Uses subject to a minor use permit.

The following use types are permitted upon issuance of a minor use permit, as provided in Chapter 16.82:

- A. Commercial Use Types.
 - 1. Live/work.
 - 2. Construction sales and services: home improvement materials
 - 3. Retail sales: cannabis.

SECTION 10. Chapter 16.24 Pedestrian Shopping and Service District is hereby amended adding Sub-Section 16.24.050 to the Vallejo Municipal Code to read as follows:

16.24.050 - Uses subject to a minor use permit.

The following use types are permitted upon issuance of a minor use permit, as provided in Chapter 16.82:

- A. Commercial Use Types.
 - 1. Retail sales: cannabis.

SECTION 11. Chapter 16.28 Freeway Shopping and Service District is hereby amended adding Sub-Section 16.28.050 (A.2.) to the Vallejo Municipal Code to read as follows:

16.28.050 - Uses subject to a minor use permit.

The following use types are permitted upon issuance of a minor use permit, as provided in Chapter 16.82:

- A. Commercial Use Types.
 - 1. Construction sales and services: home improvement materials
 - 2. Retail sales: cannabis.

SECTION 12. Chapter 16.33 Intensive-Use Limited District is hereby amended eliminating Sub-Section 16.33.030(B) and amending Section 16.33.050 of the Vallejo Municipal Code to read as follows:

16.33.030 - Permitted uses subject to limitations.

The following use types are permitted subject to complying with the intent and purpose of this chapter and to the applicable provisions of Chapter 16.57 (the letter in parentheses following the use type refers to the subsection of Section 16.57.020 which applies):

- A. Commercial Use Types.
 - 1. Animal sales and services: kennels (D);
 - 2. Automotive and equipment: cleaning (F);

3. Food and beverage retail sales (L);
4. Retail sales: adult uses (R).

16.33.050 - Uses subject to a minor use permit.

The following use types are permitted upon issuance of a minor use permit, as provided in Chapter 16.82:

- A. Commercial Use Types.
 1. Cannabis testing laboratory
 2. Retail sales: cannabis
- B. Industrial Use Types
 3. Cannabis cultivation
 4. Cannabis distribution
 5. Cannabis manufacturing

SECTION 13. Chapter 16.34 is hereby amended eliminating Sub-Section 16.34.030(C) and amending Section 16.34.050 of the Vallejo Municipal Code to read as follows:

16.34.030 - Uses subject to limitations.

The following use types are permitted subject to complying with the intent and purpose of this chapter and to the applicable provisions of Chapter 16.57 (the letter in parenthesis following the use type refers to the subsection of Section 16.57.020 which applies):

- A. Civic Use Types.
 1. Administrative services.
 2. Clinic services.
 3. Community education (X).
- B. Commercial Use Types.
 1. Animal sales and services: kennels (D);
 2. Animal sales and services: veterinary (small animals - outdoor kennels and runs) (E);
 3. Automotive and equipment: cleaning (F);
 4. Eating and drinking establishments (J), (K);
 5. Food and beverage retail sales (L);
 6. Transient habitation: emergency shelter for homeless (FF);
 7. Wholesaling, storage, and distribution: light (S).

16.34.050 - Uses subject to a minor use permit.

The following use types are permitted upon issuance of a minor use permit, as provided in Chapter 16.82:

- A. Commercial Use Types.
 - 1. Cannabis testing laboratory
 - 2. Retail sales: cannabis.
- B. Industrial Use Types
 - 1. Cannabis cultivation.
 - 2. Cannabis distribution
 - 3. Cannabis manufacturing

SECTION 14. Chapter 16.57 Limitations on Permitted Uses is hereby amended deleting Sub-Section 16.57.020 (II) of the Vallejo Municipal Code as follows:

16.57.020 – Applicability

The following limitations shall apply to uses indicated by the corresponding letter in parentheses in the previous sections entitled "Permitted uses subject to limitations."

- A. Family Residential. All multiple dwelling developments of three to eight units, inclusive, shall be subject to review by the planning department as prescribed in Chapter 16.90, Site Development Plan Approval. All multiple dwelling developments of nine or more units and all condominium projects shall be subject to review by the planning commission, as prescribed in Chapter 16.82, Conditional Use Permit Procedure.
- B. Family Residential. Dwelling units shall be permitted only when located on other than the street level of the building; except in the waterfront shopping and service district where ground level dwelling units associated with the waterfront may be permitted, upon issuance of a major use permit, as prescribed in Chapter 16.82.
- C. Cultural Exhibits and Library Services. Limited to marine museums and marine-related exhibits.
- D. Animal Sales and Services: Kennels. There shall be no kennels within two hundred feet of a residential use or residentially zoned district.
- E. Animal Sales and Services: Veterinary (small animals). There shall be no veterinary facilities within two hundred feet of a residential use or residentially zoned district.
- F. Automotive and Equipment: Cleaning. There shall be no automated car washes located within two hundred feet of any residential use or residentially zoned district.
- G. Automotive and Equipment: Repairs, Light Equipment. Limited to activities conducted indoors and accessory to retail uses.
- H. Automotive and Equipment: Sales/rental, Light Equipment. Limited to activities conducted indoors.

- I. Business Equipment Sales and Services. Limited to establishments dispensing marine products, supplies and services.
- J. Eating and Drinking Establishments.
 - 1. Eating and drinking establishments offering live entertainment, dancing or late night alcohol beverage service and stand-alone banquet facilities offering alcohol beverage service, and bars, nightclubs, lounges, taverns, and taprooms offering alcohol beverage service in the Neighborhood Shopping and Service District shall require a major conditional use permit, as prescribed in Chapter 16.82. The planning commission may only grant such a permit if it finds, based on the substantial evidence in the record, that the conditions described in Section 16.82.050 exist. The planning commission shall also find that the location and operating characteristics of the proposed alcohol sales will not adversely affect sensitive land uses in the surrounding area, including, but not limited to, residences, schools, parks, playgrounds, places of religious assembly, hospitals, and convalescent homes. For the purposes of this section, "adversely affect" means to impact in a substantial, negative manner the economic value, habitability, or enjoyment of properties in the immediate area.
 - 2. Bars, nightclubs, lounges, taverns, and taprooms offering alcoholic beverage service shall require an administrative permit, as prescribed in Chapter 16.96.
- K. Eating and Drinking Establishments [with a Drive-Through]: All restaurants with a drive-through are subject to a major conditional use permit, as prescribed in Chapter 16.82.
- L. Food and Beverage Retail Sales.
 - 1. Liquor stores, convenience stores, and mini-markets associated with fuel sales offering alcoholic beverages for off-premise consumption shall be subject to a major conditional use permit, as prescribed in Chapter 16.82. The planning commission may grant such a permit only if, from the facts presented with the application, at the public hearing, or as determined by investigation, it finds that the conditions described in Section 16.82.050 exist. In addition, the commission must find that the location and operating characteristics of the proposed alcohol sales will not adversely affect sensitive land uses in the immediate area, including, but not limited to, residences, schools, parks, playgrounds, places of religious assembly, hospitals, and convalescent homes. For the purposes of this section, "adversely affect" shall mean to impact in a substantial, negative manner the economic value, habitability, or enjoyability of properties in the immediate area.
 - 2. No liquor store, except for a large format liquor store, or convenience store, or minimarket associated with fuel sales offering alcoholic beverages for off-premise consumption shall be established within one thousand feet of a property containing an existing or approved liquor store, convenience store

or mini-market associated with fuel sales offering alcoholic beverages for off-premise consumption.

- M. Personal Services: General. The following uses are subject to a major use permit, as prescribed in Chapter 16.82: any practice of massage, alcohol rub, or similar treatment, fomentation, bath, or electric or magnetic treatment; except when such offices are an integral part of and operated by a hospital, convalescent home, sanitarium, medical clinic, medical laboratory, medical education facility, or other medical facility licensed as such by the state or other competent and lawful authority.
- N. Personal Services: General. The following uses are not permitted: any practice of massage, alcohol rub, or similar treatment, fomentation, bath, or magnetic treatment; except when such offices are an integral part of and operated by a hospital, convalescent home, sanitarium, medical clinic, medical laboratory, medical education facility, or other medical facility licensed as such by the state or other competent and lawful authority.
- O. Repair Services: Consumer. Consumer repair services excludes appliance, radio and T.V. repair shops within this district.
- P. Repair Services: Consumer. Limited to establishments dispensing marine products, supplies, and services.
- Q. Retail Sales: General. Adult bookstores or adult theaters. This subsection was replaced by Chapter 16.59, Adult Uses.
- R. Retail Sales: adult uses, as defined in Chapter 16.59, are prohibited.
- S. Wholesaling, Storage, and Distribution: Light. The storage of equipment or materials out-of-doors shall be permitted when screened from view from public streets and other dissimilar uses, as prescribed in Chapter 16.70, screening and landscaping. Beer and wine manufacturing facilities that include on-site tasting rooms shall be subject to a major conditional use permit, as prescribed in Chapter 16.82.
- T. Animal Raising. Animal raising shall exclude animal feed yards and the keeping of hogs and turkeys.
- U. Custom Manufacturing. Must be in conjunction with retail sales.
- V. Automotive and Equipment: Repairs, Heavy Equipment; Automotive and Equipment: Sales/rentals, Heavy Equipment. Limited to boat sales and service.
- W. Scrap Operations: Collection Facilities. Small collection facilities are allowed subject to an administrative permit. Chapter 16.96, pursuant to Section 16.58.040G; large collection facilities are allowed upon obtaining development permit as set forth in Section 16.75.050.
- X. Community Education. Limited to establishments that offer day care, pre-school, and/or before and after school care services for children between the ages of newborn through twelve years of age; must be licensed by the State Department of

Social Services; allowed after issuance of a major use permit, as prescribed in Chapter 16.82.

- Y. Group Care. Day care for seven to twelve children between the hours of six a.m. and eight p.m. is considered to be an accessory use, as described in Chapter 16.58, and is allowed subject to the provisions prescribed in Chapter 16.58. Day care for seven to twelve children between the hours of eight p.m. and six a.m. and all other group care is allowed subject to a minor use permit, as prescribed in Chapter 16.82.
- Z. Medical Offices. Medical offices are permitted subject to securing a minor use permit; provided however, that not more than ten percent of the gross floor area of a retail center may be devoted to this use. For the purposes of this definition, a retail center shall mean a building or group of buildings having a gross floor area of at least forty thousand square feet and at least five tenants. Applications for medical offices that collectively occupy more than ten percent are permitted subject to securing a major use permit.
- AA. Telecommunications facilities may be allowed, subject to the provisions of Section 16.75.100A.
- BB. Live/Work, Residential. Live/work occupancies in residential zones shall be limited to buildings that were originally constructed or had been previously legally converted for commercial purposes, subject to approval of a minor use permit.
- CC. Live/Work, Commercial. Live/work occupancies are not permitted in shopping centers. The front or public portion of any live/work space must be occupied by the "work" component of the occupancy. Approval of a minor use permit is required for all commercial live/work occupancies.
- DD. Second Family Residential.
 - 1. Required Standards. Any application for a second family residential unit or second unit that meets the following location and development standards shall be processed ministerially and shall not require a zoning permit, per Section 65852.2 of the California Government Code:
 - a. When there is an adopted neighborhood plan, prior to July 1, 2003, for an area of the city, no second unit shall be permitted unless specifically allowed by said neighborhood plan.
 - b. A single-family residential unit or primary unit must exist on the lot, or can be constructed on the lot in conjunction with the construction of the second unit. The second unit can either be attached to the primary unit and located within the living area of that dwelling unit, or detached from the primary unit and located on the same lot as the primary unit.
 - c. The provisions of Chapter 15.20 (regulations of the subdivision of developed lots into lots of less than five thousand square feet) shall not be applicable to any second unit; i.e., no lot with a second unit shall be subdivided into a lot less than five thousand square feet.

- d. Number per lot: No more than one second unit may be located on any lot.
- e. Lot Size: The minimum lot area upon which a second unit is located shall be five thousand square feet.
- f. Unit Size: The floor area of the second unit shall not exceed six hundred forty square feet on lots less than ten thousand square feet, and eight hundred square feet on lots over ten thousand square feet. At no time, however, shall the applicable maximum lot coverage standard be exceeded. Efficiency units shall not contain less than one hundred fifty square feet.
- g. Site Development standards: (a) Yards, Lot Coverage and Height. The required yards, lot coverage, and structure height standards of the primary unit shall also apply to an attached second unit. Required yards and coverage standards shall apply to detached second units. At no time, however, shall a detached second unit exceed twenty-five feet in height. An existing structure converted to a detached second unit may be within three feet of any side or rear property line, with the approval of a minor exception permit. Detached second units shall be a minimum of five feet from the primary unit and shall not be located closer to the front property line than the primary unit. (b) Privacy. Any window or door of a second story second unit that faces adjacent residences shall utilize one or more of the following techniques to lessen the privacy impacts onto those properties: (1) use of opaque windows; (2) window placement above eye-level (five feet or below) if architecturally compatible; (3) provision of vegetative or other screening treatment installed and effective prior to occupancy; and (4) location of windows and doors on second unit walls facing the interior rather than exterior of the subject lot.
- h. Architectural Treatment: Entrances to an attached second unit shall be located on the side or in the rear of the primary structure. The design of the second unit must be architecturally consistent with the existing primary unit. Architectural consistency is defined as having consistency in the (1) shape and style of exterior doors and windows; (2) level and type of architectural design details; (3) building materials and paint color; and (4) roof style and pitch.
- i. Occupancy: The applicant of the second unit must be the owner-occupant. Either the primary unit or the second unit must be owner-occupied. The owner-occupant is defined as an individual who uses either the second unit or primary unit as his or her principal residence. The definition of principal residence shall be as established in Section 16.04.362 of the V.M.C. A deed restriction shall be placed on the property outlining the occupancy requirement.

- j. Off-street Parking and Access: The second unit must be provided with one additional off-street parking space than required for a single-family dwelling unit. The additional space may be covered or uncovered. No required parking for the primary or second unit shall be located such that parking could block it for the other unit. No more than one covered space shall be provided for the second unit.
 - k. In order to encourage the development of housing units for disabled individuals and persons with limited mobility, the planning manager may determine that reasonable deviation from the above requirements is necessary to install features that facilitate access and mobility for disabled persons. Such deviations may include the construction of ramps within the minimum side and rear yards, the design of doors and windows which are not completely architecturally consistent, and others as deemed appropriate.
 - 2. Enforcement. The enforcement of the development standards for second units shall be in accordance with Chapter 16.100 Enforcement Procedure.
- EE. Dredge disposal ponds. Dredge disposal pond operations shall be allowed on Mare Island, subject to a site development permit.
- FF. Emergency Shelter for Homeless. Any application for an emergency shelter facility that meets the following performance, development, design and managerial standards shall not require a discretionary permit, per Section 65583(a)(4) of the California Government Code:
 - a. Emergency shelters shall obtain and maintain in good standing all required licenses, permits and approvals from city, county, state and federal agencies or departments and demonstrate compliance with all applicable building and fire codes.
 - b. The emergency shelter shall conform to all property development standards of the zoning district in which it is located, except as modified by these performance standards.
 - c. The length of stay of an individual client shall not exceed six months within a twelve-month period.
 - d. The maximum number of beds for emergency shelters shall be fifty unless a major conditional use permit is approved to permit additional beds.
 - e. External lighting shall be provided for security purposes. The lighting shall be stationary and directed away from adjacent properties and the public right-of-way.
 - f. No more than one emergency shelter shall be permitted within a radius of three hundred feet from another such shelter when measured from the closest property lines. An exception to this separation requirement may be granted if significant physical features act as barriers from said sensitive uses, such as a freeway, or railroad right-of-way.

- g. Parking facilities shall be designed to provide security for residents, visitors, and employees with parking spaces provided in the following ratios: one space per ten beds plus one space per staff member. A covered and secured area for bicycle parking shall be provided for use by staff and client, commensurate with demonstrated need, but no less than a minimum of eight parking spaces. No on-street parking shall be allowed.
- h. A client waiting and intake area shall be provided as interior space and contain a minimum of ten square feet per bed provided at the facility, and a minimum size of one hundred square feet of floor area.
- i. Outdoor charitable food distribution shall be conducted entirely on private property in a covered area during times that are approved by the city, and shall not block accessible pathways.
- j. Outdoor toilets and outdoor public telephones shall not be visible from the public right-of-way or public property.
- k. No signs shall be present on the property relating to its use as a shelter for the homeless.
- l. Donation/collection bins and areas shall be screened from public view and shall be open to the public between the hours of 9:00 a.m. to 6:00 p.m. A sign stating hours of operation shall be placed in a clear, visible location and shall be no larger than fifteen square feet.
- m. Adequate storage for personal belongings shall be provided.
- n. The city may inspect the facility during business hours for compliance with the management plan and any other applicable regulations and standards.
- o. A minimum of one staff person or agent shall be on-duty and awake when the facility is in operation.
- p. Management plan: The applicant or operator shall submit a management and operation plan for the emergency shelter for review and approval by the planning manager prior to approval of a business license. The plan shall include, but not be limited to, the following:
 - 1. Security.
 - 2. Staff training.
 - 3. Neighborhood relations.
 - 4. Pet policy.
 - 5. Client intake process.
 - 6. List of services provided.
 - 7. Facility maintenance.
 - 8. Refuse control.
 - 9. Amenities, such as hours of operation, cooking/dining facilities, laundry facilities and activity policies.

10. Anti-discrimination policies.

The plan may be reviewed as needed by the city with revisions made by the operator.

GG. Limited to assisted living facilities, subject to securing a major use permit.

HH. Limited to assisted living facilities that include twenty-four hour nursing or other medical services, subject to securing a major use permit.

SECTION 14. Sub-Section 16.58.040 H. of the Vallejo Municipal Code is hereby added to read as follows:

16.58.040 - Specific accessory uses and standards.

The following accessory uses shall be permitted in all zoning districts, except as otherwise stated:

- A. Off-street parking for use by persons living, conducting business, or visiting the premises provided screening requirements described in Section 16.70.030 are met.
- B. Structures housing equipment and materials used exclusively on the premises;
- C. Structures for the conduct of recreational activities for use by persons living on the premises;
- D. The day care of seven to twelve children (group care) shall be permitted with the issuance of an administrative permit, except as required in Section 16.57.020, and shall be subject to the criteria and the standards listed in this subsection:
 - 1. The space and staffing standards shall at a minimum meet state requirements.
 - 2. The hours of operation of such child care dwelling shall be between six a.m. and eight p.m.
 - 3. The operator and the premises must be licensed or certified by the California department of social services.
 - 4. The operator must be a full-time resident of the dwelling unit in which the facility is located.
 - 5. The premises shall be subject to fire and health inspection by the city and the use permitted thereon shall be contingent upon compliance with fire and health regulations and requirements.
 - 6. Such use shall not adversely affect the neighborhood in which it is located. For the purposes of this subsection, "adversely affect" shall mean to impact in a substantial, negative manner the economic value, habitability, or enjoyability of properties in the immediate area.
- E. The total number of communications towers for the purpose of supporting amateur radio, television, or citizens band radio antennas which may be erected on the

premises for the express use of the occupant of the premises may not exceed three, unless restricted or prohibited by state and/or federal regulations or applicable covenants, conditions and restrictions. Heights of the communications towers in residential districts shall not exceed the following limits: one, seventy-two feet; remaining two, sixty feet;

F. A small collection facility is allowed subject to an administrative permit and to the criteria and the standards listed in this subsection:

1. Permit for multiple sites: A single administrative permit may be granted to allow more than one reverse vending machine or more than one small collection facility, even if located on different sites, but only if:

- a. The operator of each of the proposed facilities is the same;
- b. All of the applicable criteria and standards set forth in subdivision 2 of this subsection are met for each such proposed facility; and
- c. The proposed facilities are determined by the planning director to be similar in nature, size and intensity of activity;

2. Criteria and standards. A recycling facility permitted with an administrative permit shall meet all of the applicable criteria and standards listed in this subdivision. A recycling facility permitted with a site development permit or conditional use permit shall meet the applicable criteria and standards listed below; provided that the planning manager, planning commission or city council, as the case may be, may relax such standards or impose stricter standards, upon a finding that such modifications are reasonably necessary in order to implement the general intent of this part and the purposes of this title. The criteria and standards for a recycling facility are as follows:

- a. A reverse vending machine:
 - i. Shall be located within thirty feet of the entrance of the host business and shall not obstruct pedestrian or vehicular circulation;
 - ii. Shall be constructed and maintained with durable waterproof and rustproof material and shall be covered;
 - iii. Shall be clearly marked to identify the type of material to be deposited;
 - iv. Shall have a sign area of no more than four square feet and sign(s) shall be attached to the machines;
 - v. Shall number no more than three machines per host business;
 - vi. Shall be no more than fifty cubic feet in bulk and no more than eight feet in height;
 - vii. Shall not occupy parking spaces required by the primary use;
 - viii. Shall be maintained in a clean, litter-free condition on a daily basis;

- ix. Shall be illuminated to ensure comfortable and safe operation if operating hours are between dusk and dawn.

Reverse vending machines located indoors do not require any permits under this title.

b. Small collection facility:

- i. Containers shall be constructed and maintained with durable, waterproof and rustproof material and shall be covered;
- ii. Containers shall be clearly marked to identify the type of recyclable or recyclables which may be deposited;
- iii. The facility shall be clearly marked to identify the name and telephone number of the facility operator;
- iv. Site shall be swept and maintained in a dust-free, litter-free condition on a daily basis;
- v. The facility shall be placed on a site so as not to obstruct on-site or off-site pedestrian or vehicular circulation;
- vi. The facility shall be set back at least ten feet from any street line;
- vii. The facility shall not impair the landscaping required for any concurrent use by this title or any permit issued pursuant thereto;
- viii. Noise level shall not at any time exceed fifty-five dBA as measured at the property line of residentially zoned or occupied property; otherwise shall not exceed seventy dBA;
- ix. The facility shall not include power-driven sorting and/or consolidation equipment such as crushers or balers, except bulk reverse vending machines;
- x. Signs shall be provided as follows:
 - (A) An unattended container not over fifty cubic feet in bulk and not over eight feet in height may have a maximum sign area of four feet, and
 - (B) Other containers or units may have one flat-mounted sign per side of container or wall of enclosure of twenty percent of the surface of the side or six square feet, whichever is greater;
- xi. The minimum average illumination of the site shall be one-half footcandle;
- xii. Use of the facility for collection of refuse or hazardous waste is prohibited;

- xiii. The facility shall be removed from the site on the day following permit expiration;
- xiv. An attended facility shall be in operation only during the hours of operation of the host business;
- xv. The facility shall conform to all development regulations for the zoning district in which it is located; for an attended facility, a minimum of one parking space per attendant shall be provided;
- xvi. The operator of any recycling collection facility shall, on a daily basis, remove any and all recyclable materials or refuse which has accumulated or is deposited outside the containers, bins or enclosures intended as receptacles for such materials;
- xvii. All recyclable material shall be stored in containers or in the mobile unit vehicle;
- xviii. Containers for the twenty-four hour donation of materials shall be at least thirty feet from any property zoned or occupied for residential use unless there is a recognized service corridor and acoustical shielding between the containers and the residential use;
- xix. Mobile recycling units shall have an area clearly marked to prohibit other vehicular parking during hours when the mobile unit is scheduled to be present.

3. Nonconforming small collection facilities.

- a. The provisions of this section are applicable to any small collection facility which was lawfully erected and maintained prior to adoption of the ordinance codified in this subsection and which now fails to conform to all the provisions of this subsection. It is unlawful for any person to maintain a nonconforming small collection facility beyond the twelve-month period.

G. Residents shall be allowed to hold a "garage sale" to sell personal and household items from their residence, subject to the following standards:

- 1. Residents of a one-unit or two-unit residence shall be allowed to hold a garage sale a maximum of three weekends (Friday, Saturday and Sunday - and Monday if it is a legal holiday) in a twelve consecutive month period.
- 2. Residents of an apartment or condominium complex consisting of three or more units shall be allowed to hold a garage sale as many times as allowed by the apartment manager or owner's association board, but no more than six weekends in a twelve consecutive month period. However, the sale shall not be conducted in a manner which will preclude the use of any parking space, or interfere with traffic moving through the property.

3. Neighborhood or "block" garage sales, where at least three households participate, shall be subject to the three weekend limit.
 4. Signage. Signage shall comply with the requirements of Chapter 16.64. However, signs advertising the garage sale, or giving directions thereto, shall not be erected before five p.m. the day before the sale and shall be removed before eight a.m. the day following the sale.
- H. The following accessory uses may be permitted, whenever the applicable state permit has been obtained, and subject to an administrative permit as described in this subsection, whenever the principal use is retail sales of cannabis.
1. Cannabis manufacturing may be permitted as an accessory use subject to the following restrictions:
 - a. The extraction process shall consist of separating cannabinoids from cannabis plant material solely by press or non-volatile solvent between the temperatures of 60 and 200 degrees Fahrenheit.
 - b. The extraction shall take place in an area not to exceed one hundred square feet located within or attached and internally connected to the principal structure.
 - c. The infusion process shall consist of the direct incorporation of cannabis, cannabinoids, or cannabis concentrates into an edible, topical or other product to produce a cannabis product.
 - d. The cannabis manufacturing shall not exceed 10 percent of the total floor area of the principal use or 500 square feet, whichever is less.
 - e. The manufacturing space is only accessible to employees and shall not be visible to the general public.
 2. Cannabis distribution may be permitted as an accessory use subject to the following restrictions:
 - a. The area utilized for cannabis distribution shall not exceed 30 percent of the total floor area of the principal use or 1,500 square feet, whichever is lesser.
 - b. The distribution storage area shall be fully enclosed within or attached and internally connected to the principal structure.
 - c. The distribution storage area shall only be accessible to employees and shall not be visible to the general public.
 3. A separate application for administrative permit will not be required if the retail sales of cannabis applicant includes manufacturing and/or distribution as accessory use (s) consistent with this chapter, in the initial minor use permit application.
 4. The premises shall be subject to fire, building and health inspection by the city and other regulatory agencies and the accessory use permitted thereon shall be contingent upon compliance with fire, building and health regulations and requirements.

5. In conformance with the criteria and standards listed in the section, accessory uses shall not adversely affect the neighborhood in which they are located. For the purposes of this subsection, "adversely affect" shall mean to impact in a substantial, negative manner the economic value, habitability, or enjoyability of properties in the immediate area.

SECTION 15. Section 16.62.100 of the Vallejo Municipal Code is hereby amended to read as follows:

16.62.100 - Table of off-street parking requirements and standards.

TABLE OF OFF-STREET PARKING REQUIREMENTS

Commercial Use Types	
Administrative & Professional Services	E
Agricultural Supplies & Services	F
Animal Sales & Services	E
Automotive & Equipment	G
Building Maintenance Services	E
Business Equipment Sales & Services	E
Business Support Services	F: CL
Cannabis Testing Laboratory	F
Communications Services	F: CL
	E: Other
Construction Sales & Services	E
Convenience Sales & Personal Services	F: C-N
	E: Other
Eating & Drinking Establishments	H
Explosive Storage	P
Financial, Insurance & Real	
Estate Services	F: C-N
	E: Other
Food & Beverage Retail Sales	F: C-N, C-L, C-P
	E: Other
Funeral & Interment Services	I
Gasoline Sales	Q
Laundry Services	E: C-L

Medical Services	M
Participant Sports & Recreation	K
Personal Services	F
Repair Services	F
Research Services	F
Retail Sales: General	E
Retail Sales: Swap Meets	F
Retail sales: cannabis	E
Scrap Operations	P
Spectator Sports & Entertainment	J
Transient Habitation	D
Wholesaling, Storage & Distribution	P
Industrial Use Types	
Custom Manufacturing	P
General Manufacturing	P
Heavy Industrial	P
Cannabis Cultivation	P
Cannabis Distribution	P
Cannabis Manufacturing	P

TABLE OF OFF-STREET PARKING STANDARDS
(Section 16.62.100)

	Standard	Requirement
E	one space for each 250 square feet of gross first floor area, plus one space for each 350 square feet of other floors, plus one space for each 300 square feet of covered accessory storage area, plus one space for each 2,000 square feet of outdoor sales area; one space for each 600 square feet of gross floor area for large item retail	
F	one space for each 350 square feet of gross first floor area, plus one space for each 450 square feet of other floors, plus one space for each 600 square feet of covered accessory storage area, plus one space for each 2,000 square feet of outdoor sales area	
P	four spaces for first 5,000 square feet of floor area and one space for each additional 2,000 square feet of floor area, or one space for each one and one-half employees, whichever is greater	

SECTION 15. Sub-Section 16.64.040 (N) of the Vallejo Municipal Code is hereby amended to read as follows:

16.64.040 - Regulations for special signs

- A. Temporary Signs. A temporary sign shall not be permitted except as follows:
1. Except as provided in subsection A4, below, pennants, flags and other attention-getting devices may be permitted for no longer than sixty days immediately following the initial opening of a business on a particular site.
 2. A limited number of properly maintained large flags and smaller banners may be permitted for commercial uses of land when such uses are normally conducted outdoors all the time. The development services director shall determine the number and size of flags and banners and determine whether such flags and banners are properly maintained.
 3. Except as provided in subsection A2, above, a banner, not to exceed twenty square feet, may be permitted so long as it is not displayed for more than thirty days twice a calendar year.
 4. A helium filled blimp or balloon, or a searchlight, may be permitted for fifteen consecutive days immediately following the initial opening of a business. Such blimp or balloon shall not exceed twenty feet in length nor be flown higher than one hundred fifty feet. The use of these blimps or balloons must comply with all applicable regulations of the Federal Aviation Administration.
 5. Except as provided in subsection A4, above, a helium filled blimp or balloon, or searchlight, shall not be permitted except upon the issuance of an administrative permit pursuant to Chapter 16.96. In this latter event, such blimp, balloon or searchlight may be displayed or permitted for no more than three days twice a year. Such blimp or balloon shall not exceed twenty feet in length nor be flown higher than one hundred fifty feet. The use of these blimps or balloons must comply with all applicable regulations of the Federal Aviation Administration.
- B. Window Signs.
1. Permanent signs shall be permitted provided the total sign area square footage does not exceed fifteen percent of the total ground floor window area or twenty five percent of the second floor window area. These signs shall be subject to a sign permit and shall be included as part of the total sign area. For properties within the area designated as "Old Town" (as that area is described and designated in the "Old Town Master Plan"), permanent signs shall be permitted provided the total sign area square footage does not exceed twenty-five percent of the total ground floor window area or thirty percent of the second floor window area.

2. Temporary signs shall be permitted provided the total sign area does not exceed fifteen percent of the ground floor window area and twenty percent of the second floor window area.
- C. Construction Signs. Construction sites may have one construction sign not to exceed sixty-four square feet in area.
- D. Electric Awning Signs. Electric awning signs may be attached to buildings or structures subject to the following standards:
1. Minimum clearance shall be eight feet unless projecting over a vehicular right-of-way in which case clearance shall be fourteen feet.
 2. Overall height may not exceed twenty-four inches above the established roof line or parapet wall of the building to which it is attached. In no case may the overall height of the electric awning sign exceed the allowable height of buildings in the zone in which it is installed.
 3. Such signs shall be limited to single-story buildings or to the first level only of multistory buildings unless, in the opinion of the development services director, treatment of additional levels is warranted.
 4. All letter copy, logos, insignias or other identifiable copy shall be considered in sign area square footage limitations. In no case shall the maximum sign copy exceed forty-five percent of total face area.
 5. When an electric awning sign covers multiple store fronts, each store or tenant shall be allowed copy space no more than seventy-five percent of the store width.
- E. Flags. Flags displaying emblems, insignias, logos or other copy or symbols identifying a business, corporation or non-political division or entity shall be considered signs and are permitted provided the total area does not exceed twenty-four square feet. These signs shall be subject to a sign permit and shall be included as part of the total sign area.
- F. For Lease Signs. Subject to the regulations in Section 16.64.050, for lease signs shall be permitted provided such signs do not exceed thirty-two square feet in area.
- G. Gasoline and Service Station Price Signs. All gasoline and service stations shall be permitted one price sign per street frontage. Each sign shall not exceed fifteen square feet and shall be placed in a landscaping area whenever possible.
- H. Murals. Murals shall not be permitted except upon the issuance of an administrative use permit pursuant to Chapter 16.96.
- I. Movie and Theater Signs With Marquees. The sign area for movie and other type theaters with marquees may be permitted to exceed the limits of this chapter provided a comprehensive signing program for the use has been approved by the planning division.
- J. Political Signs. The provisions of Section 12.36.110 of this code apply.

- K. Shopping/Service Center Signs. All on-site signs for shopping/service center shall be submitted to and reviewed by the development services director as part of a comprehensive signing program. Each shopping center shall be permitted one master identification pole sign to identify the center but not any tenant located therein. Such master identification pole sign shall not exceed twenty-five feet in height nor exceed seventy-five square feet in total sign area. Centers with secondary street frontage may be permitted an additional pole sign. Tenants or businesses in a center may be identified as part of a monument directory sign, subject to the limitations of the height and square footage of such signs for the particular zoning district. In the presence of a Master Sign Program (MSP), the MSP standards shall prevail for all signs.
- L. Subdivision Signs. All on-site subdivision signs shall be removed from the site within ten days after the last home is sold within the particular subdivision. The developer is required to deposit with the city the sum of one hundred dollars for each on-site identification sign which is placed on the site, which sum or sums shall be returned to the developer if the on-site signs are removed within the ten days as provided above. In the event such signs are not removed as provided above, the city shall remove the signs and the developer shall forfeit to the city the sum or sums deposited.
- M. Street Banner Signs. Street banner signs may be permitted in the public right-of-way upon issuance of an administrative permit pursuant to Chapter 16.96 and subject to the criteria established by the development services director and director of public works.
- N. Retail Sales of Cannabis:
1. Sign Area.
 - a. The aggregate sign area for all permanent signs on a building or site housing a retail cannabis business:
 - i. Shall not exceed one square foot of sign area per linear foot of principal building frontage adjacent to a public right-of-way, except that a building with twenty-five feet or less of street frontage shall be allowed a minimum of twenty-five square feet of total sign area. A business with secondary street frontage for a secondary elevation may be permitted an additional one-half square foot of sign per linear foot of building frontage on the second street frontage; and
 - ii. Shall not exceed one hundred fifty square feet for principal elevation. Shall in no event exceed seventy square feet for secondary elevation; and
 - iii. Shall not exceed two hundred fifty square feet total sign area for all signs per building.
 2. Combination Signs. A maximum of two sign types shall be permitted:
 - a. Freestanding;

- b. Wall sign;
 - c. Projecting sign;
 - d. Canopy sign.
3. Freestanding Signs. One monument sign is permitted not to exceed five feet in height and thirty square feet in area. The monument sign shall be landscaped around the entire base with a minimum of four feet out from the sign base or proportional amounts. The base of the sign shall architecturally match the principal building. Sign area is limited to the sign face.
 4. Projecting Signs. One projecting sign may be permitted provided the sign does not project more than four feet from the building, nor two feet into the city right-of-way, nor project over the roof line, provided such sign meets all of the following requirements:
 - a. The minimum clearance under the sign shall be 10 feet.
 - b. The maximum sign area shall be nine square feet.
 - c. The minimum distance between two projecting signs shall be 25 feet.
 - d. The sign shall be mounted at a right angle to the building.
 5. Canopy Signs.
 - a. On-canopy. One on-canopy sign may be permitted in lieu of a wall sign. The on-canopy sign shall not exceed 25 square feet.
 - b. Under-canopy. One under-canopy sign may be permitted when a minimum clearance from the grade or sidewalk to the bottom of the sign is at least eight feet and such sign does not extend beyond the edge of the canopy. The under-canopy sign shall not exceed six square feet with a maximum width or height of three feet.
- O. Cannabis Cultivation, Cannabis Distribution, Cannabis Manufacturing, and/or Cannabis Testing Laboratory.
1. Sign Area.
 - a. The aggregate sign area for all permanent signs on a building or site housing a cannabis cultivation, cannabis distribution, cannabis manufacturing and/or cannabis testing laboratory business:
 - i. Shall not exceed one square foot per foot of principal building frontage adjacent to a public right-of-way, except that a building with twenty-five feet or less of street frontage shall be allowed a minimum of twenty-five square feet of sign area.; and
 - ii. Shall not exceed fifty square feet per building.
 2. Combination Signs. Signage shall be limited to one wall sign and/or monument sign.

3. Wall Signs. Wall signs shall be mounted on the principal building frontage adjacent to the public right-of-way and shall be pin mounted or individually mounted channel letters.
4. Freestanding Signs. One monument sign may be permitted not to exceed five feet in height and twenty-five square feet in area. The monument sign shall be landscaped around the base with a minimum depth of 4 feet.

SECTION 16. Section 16.82.060 of the Vallejo Municipal Code is hereby amended to read as follows:

16.82.060 – Standards and criteria for certain conditionally permitted uses.

Whenever a use which is listed below requires a major or minor conditional use permit, the use permit application must demonstrate and the appropriate permit issuing authority shall certify that the use meets the following pertinent standards and criteria:

- A. Amusement arcades shall be subject to the following conditions:
 1. An amusement arcade having five or more amusement machines shall not be allowed except by a major conditional use permit issued pursuant to Section 16.82.030 of this chapter.
 2. An amusement arcade having less than five amusement machines shall not be allowed except by a minor conditional use permit issued pursuant to Section 16.82.040 of this chapter.
 3. An amusement arcade shall be permitted only in the linear commercial and the pedestrian and freeway shopping and service districts.
 4. No amusement arcade shall be allowed within one thousand feet of any elementary or junior high school unless the hours of operation are limited to after school.
 5. An amusement arcade may be required to close at nine p.m. depending on the types of adjoining uses, its hours of operation and the type of uses proposed in conjunction with the arcade.
 6. An amusement arcade with five or more machines may be required to have a security guard, who shall be armed, after seven p.m. and such additional adult supervision as required by the planning division and/or planning commission.
 7. Any use which constitutes an amusement arcade on the date the ordinance codified in this section becomes effective shall comply with the provisions of this subsection within sixty days thereafter.
 8. The fee for all permits for amusement arcades shall be waived for persons or businesses which have amusement machines on the effective date of the ordinance codified in this section and which apply for a permit within six months of the effective date of the ordinance codified in this section.

9. The fee for all permits for amusement arcades shall be waived for persons or businesses which have amusement machines on the effective date of the ordinance codified in this section and which apply for a permit within six months of the effective date of the ordinance codified in this section.
- B. Car washes shall meet the following requirements:
1. Automated car washes shall be located at least one hundred feet distant from any residential use or residentially zoned district.
 2. The applicant for the conditional use permit agrees to maintain the premises and agrees that if the use of the car wash is abandoned and/or becomes a public nuisance, the city may provide for maintenance of the premises and place a lien against the property to cover the costs of maintenance.
- C. Cemeteries, crematories, mausoleums, and columbaria shall have direct access to a major street.
- D. Churches shall have direct access to a collector or major street.
- E. Convenience markets shall meet all of the following conditions:
1. The site shall be at least fifteen thousand square feet;
 2. The site shall be located on a collector street;
 3. Lighting and signs shall not adversely affect any residential area, traffic safety or crime deterrence;
 4. No automobile repairing/dismantling shall be permitted in or adjacent to the site;
 5. No outdoor storage shall be permitted;
 6. Architectural features shall be similar to or blend in aesthetically with structures in the neighborhood and vicinity; and
 7. Comply with the provisions of subsection R. below relating to the sale of alcohol for off-site consumption.
- F. Day care of more than twelve children (community education) shall be subject to the following conditions:
1. The facility shall not exceed a total enrollment of seventy children.
 2. The facility shall provide a minimum of forty square feet of interior space per child, and a minimum of eighty-five square feet of exterior space per child.
 3. The ratio of children to teachers shall not exceed four children under the age of two years per one teacher and nine children over the age of two years per one teacher.
 4. The facility shall be designated to create a "residential" environment rather than an "institutional" environment through the use of design elements, such as color and materials, landscaping, and play equipment.

5. The operator and the premises must be licensed or certified by the State Department of Social Services.
 6. The premises shall be subject to fire and health inspections by the city and the use permitted thereon shall be contingent upon compliance with fire and health regulations and requirements.
- G. Drive-in restaurants shall be located at least one hundred feet from a residential zoning district.
- H. Drive-in theaters shall have direct access to a major street.
- I. Dwelling units in commercial districts shall be located on other than the street level of a building, except that ground level dwellings may be permitted in commercial districts if they meet the following criteria:
1. The dwelling is attached to a commercial facility.
 2. The parcel of land upon which the dwelling is constructed abuts a residential zone.
 3. The dwelling faces the residential zone, although its entrance may be oriented to either the residential or the commercial zone.
- J. Quick service restaurants shall meet the following requirements:
1. The site shall be located on a major collector or arterial street.
 2. The proposed location of the quick service restaurant shall not create a traffic hazard or traffic nuisance because of its location in relation to similar uses, the necessity for turning movements due to the relation of its access to public roads and intersections, or its location in relation to other buildings or proposed buildings on or near the site and the traffic patterns from such buildings; or cause frequent turning movements across sidewalks and pedestrian ways, thereby disrupting pedestrian circulation within a concentration of retail activity.
 3. No quick service restaurant shall preempt frontage on any highway or public road in such manner so as to substantially reduce the visibility and accessibility of an interior commercial area zoned or proposed for commercial use which is oriented to the same highway or public road.
 4. All lighting located on the premises shall be shaded and screened so as to be directed away from all adjoining residentially zoned or developed property.
 5. An adequate number of litter and trash receptacles shall be provided on the premises, and the quick service restaurant shall maintain an off-premises litter collection program within a six-hundred-foot radius if premises to collect packages and containers which have been carried off the premises and improperly discarded by patrons of the restaurant.

6. The design of the restaurant structure by its adaptability, absence of trademark architecture, and character shall facilitate its ready conversion to other commercial uses.
 7. The applicant for the conditional use permit agrees to maintain the premises, agrees that if the use of the quick service restaurant is abandoned and/or becomes a public nuisance, the city may provide for maintenance of the premises and place a lien against the property to cover the cost of maintenance.
 8. No quick service restaurant containing a drive-through service facility shall be permitted on lots less than fifteen thousand square feet.
- K. In authorizing use permits for junkyards, automobile wrecking, or storage of inoperative vehicles, the planning commission may impose the following conditions:
1. Screening from the public view and from abutting properties by a decorative fence approved by the development services director;
 2. Landscaping as prescribed by the zoning ordinance, and including trees around the perimeter of the site in a manner approved by the development services director;
 3. Hours of operation not earlier than six a.m., and not later than nine p.m.;
 4. Height of storage not to exceed the height of the perimeter fence;
 5. No storage outside and the conducting of all operations within the perimeter fence.

Such uses existing on June 1, 1971, shall not require a use permit; provided, however, that operators of such nonconforming uses, as a prerequisite to the issuance of a business license, shall exhibit to the city treasurer a certificate of compliance with the conditions specified in subdivision 1 through 5, inclusive of this subsection.

- L. Mobile home parks are subject to the mobilehome park standards as adapted by the city council.
- M. Nongovernmental child nurseries and kindergartens, nongovernmental elementary and secondary schools, and nongovernmental institutions of higher learning shall have direct access from a collector or major street when in a residential district.
- N. Parking areas which are accessory to nonresidential uses and are located in residential zoning districts must meet the following conditions:
1. The parking area must be located on or about the site of the use being served;
 2. The parking area must be directly across an alley from the use served; or
 3. The parking area must serve an existing use with inadequate parking and may be located across a street.

4. Exterior lighting shall be high pressure sodium type, and shall have an illumination intensity of between one and four footcandles. Lights shall be directed and shielded so as not to glare onto adjoining residential properties. Lights shall have a housing to protect against breakage. Defective or removed lights shall be replaced within forty-eight business hours from the date of damage or removal.
- O. Automobile service stations and the sale of gasoline shall meet all of the following standards in order to obtain a major use permit except that no major use permit may be granted authorizing this use in any residential district.
1. The use shall be located at the intersection of two major streets or a major and a collector street, or be part of a planned shopping center, freeway service complex, or other planned commercial concentration.
 2. Where the use abuts or is across an alley from a residential zoning district, it shall comply with all the following standards:
 - a. A six-foot masonry wall shall be constructed along the property line which abuts the residential zoning district, or along the property line which is across the alley from said zoning district;
 - b. All site lighting and lighted signs shall be directed away or shielded from the residential zoning district;
 - c. The use shall comply with the front and side yard requirements which apply to the affected residential zoning district. All required yards shall be appropriately landscaped.
 3. The use shall have a site area of at least fifteen thousand square feet when the use is not in conjunction with a planned complex.
 4. A self-service automobile service station or a partial self-service station, whether newly constructed or a conversion from an existing full-service automobile service station, shall be permitted if the following findings are made:
 - a. Minor emergency health and safety services, including public restrooms, will be available to the motoring public when the availability of such services are considered on a city-wide basis.
- P. Family residential at medium density in a low-density residential district may be allowed on vacant lots in certain areas designated by resolution of the city council; site development standards for medium-density residential district shall apply (Section 16.16.060).
- Q. Eating and drinking establishments that offer live entertainment, dancing and/or late night alcohol sales or service shall comply with the following restrictions:
1. Shall be permitted only after securing a major conditional use permit, as prescribed in Chapter 16.82.
 2. If adjacent to residential uses, the planning commission shall consider imposing appropriate permit conditions to limit the noise impact on the

residential properties including but not limited to interior and exterior restrictions such as noise limitation, parking lot orientation, sound barriers and other performance standards.

- R. Liquor stores, convenience stores, mini-markets associated with fuel sales, and food and beverage retail establishments offering late night alcohol sales or service for off-site consumption shall comply with the following restrictions:
1. Shall be permitted only after securing a major conditional use permit, as prescribed in Chapter 16.82.
 2. If adjacent to residential uses, the planning commission shall consider imposing appropriate permit conditions to limit the noise impact on the residential properties including but not limited to interior and exterior restrictions such as noise limitation, parking lot orientation, sound barriers and other performance standards.
- S. Bed and breakfast inns shall comply with the following restrictions:
1. All bed and breakfast inns shall be owner- occupied or have a resident manager.
 2. Parking shall be provided at the following ratio:
 - a. Two spaces for property owner or resident manager.
 - b. One additional space for each guest room over two rooms. Alternative parking provisions may be approved if the applicant can show availability of on-street parking.
 3. Food service shall be limited to overnight guests and special events.
 4. Special events, as defined in Section 16.04.485, shall be permitted with approval of an administrative permit.
 - a. Such events shall be limited to a maximum of six events per calendar year, with no more than one event per month.
 - b. Events shall be limited to the hours of ten a.m. to ten p.m. and may last no more than six hours.
 - c. No amplified music or speech shall be allowed in conjunction with special events.
 - d. The number of persons allowed at any event shall be limited to those approved in the administrative permit.
 - e. Attendance at events shall be limited to residents and guests of the inn and their invited guests.
 - f. No events that are open to the public without individual invitations shall be allowed.
 5. Accessory structures may be used as guest lodging for bed and breakfast inns.

6. All structures on property must meet all applicable health, fire, and building code requirements.
 7. All new development associated with the bed and breakfast use shall meet all site development requirements of the zoning district in which it is located.
- T. Tobacco retailers shall meet the following requirements.
1. No tobacco retailer shall be located within one thousand feet of any parcel zoned for residential use.
 2. No tobacco retailer shall be located within one thousand feet of any other tobacco retailer, as measured to and from property lines.
 3. No tobacco retailer shall be located within one thousand feet of any parcel of land that contains any of the following specific land uses:
 - a. Church(s)
 - b. Public recreation area(s)
 - c. School(s).
 4. No tobacco retailer shall operate between the hours of ten p.m. and nine a.m.
 5. Tobacco retailers shall be located only on the ground floor.
 6. No tobacco retailer shall violate any applicable provision of any other city, county, state, or federal regulation, ordinance, or statute, especially but not limited to Vallejo Municipal Code Chapters 7.69 (Restrictions on Accessibility to Cigarettes and other Tobacco Products) and 16.64 (Signs.)
 7. Tobacco retail clerks shall be the minimum legal age to purchase tobacco.
 8. Tobacco retailers must be in compliance with all rules, regulations, laws, and administrative requirements of the state board of equalization and any other applicable state and/or federal agency.
- U. Cannabis cultivation, cannabis distribution, cannabis manufacturing and cannabis testing laboratory establishments shall comply with the following restrictions:

Where this code conflicts with Title 16 and MAUCRSA design and development standards, the more restrictive standards shall apply. All applicable district requirements must be met, together with the following requirements:

1. Permits required to Operate. Cannabis cultivation, distribution, manufacturing, and testing laboratory uses must obtain and maintain all required State and local permits and licenses including the corresponding local permits required under Chapter 7.200 of this code: CC, CD, CM and CT. Revocation of the State cannabis license (e.g. Microbusiness license) or the local permit to operate under Chapter 7.200 of this code shall be grounds for revocation of the minor use permit for the cannabis cultivation, distribution, manufacturing and testing laboratory use. Valid and applicable State and local licenses and permits shall be publicly displayed at all times during hours of operation. Operations and location requirements must at all

times comply with applicable regulations contained in Title 16 of the California Code of Regulations as those may be updated from time to time by the California Bureau of Cannabis Control.

2. **Locational Limitation.** Any cannabis cultivation, distribution, manufacturing or testing laboratory use may not be located within a six hundred-foot radius of a school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center as defined in Health & Safety Code Section 11353.1. The distance specified in this section shall be the horizontal distance measured in a straight line from the property line of the school or center to the closest property line of the lot on which the permittee is to be located without regard to intervening structures.
3. **Development and Operational Standards:**
 - a. **General:**
 - i. All activities shall occur within a secure fence at least eight feet in height that fully encloses the area. The fence must include a lockable gate(s) that is locked at all times, except for during times of active ingress/egress.
 - ii. No person under age eighteen shall be allowed on the property.
 - iii. The site shall not be open to the general public.
 - iv. No transactions outside, or partially outside of an enclosed building are permitted. No transactions which are performed through walk-up or drive-through service are allowed.
 - v. No use, inhalation, smoking, eating, ingestion, or otherwise consumption of cannabis on the property, including the parking areas of the property.
 - vi. No exhibition or product sales area or retail sales are allowed on the premises.
 - b. **Cultivation:**
 - i. The canopy shall not exceed ten thousand square feet; and
 - ii. All cannabis cultivation shall occur indoors, completely enclosed in a structure with opaque walls, and shall not be visible from any public right-of-way
 - c. **Lighting:**
 - i. Exterior perimeter lighting shall be in place prior to operation;
 - ii. Exterior lighting shall be code compliant LED fixtures or high efficacy luminaries, and shall have an illumination intensity of between one and four foot candles;
 - iii. Lights shall be directed and shielded so as not to illuminate into adjoining properties;

- iv. Lights shall have a housing to protect against breakage;
 - v. Broken or burnt out lights shall be replaced within five calendar days;
 - vi. Transitional lighting shall be incorporated in exterior areas going to and from buildings or uses within a site; and
 - vii. Trees and shrubs shall not interfere with the distribution of lighting as required by this section.
- d. Signs:
- i. A sign shall be posted on the door or in view of the entrance stating that no person under the age of eighteen is allowed on site; and
 - ii. A sign shall be posted stating that the use or consumption of cannabis or cannabis products on or near the premises is prohibited; and
 - iii. A sign shall be posted stating loitering on or near the premises is prohibited; and
 - iv. A sign shall be posted outside the facility in full public view that contains contact information of the City Manager's Office for both in case of an emergency situations and for public concern of operations.
 - v. Other requirements as prescribed in Chapter 16.64.
- e. Fencing, screening and landscaping:
- i. All fencing shall be eight feet tall, solid fence, masonry or board-on-board as approved by the Planning Manager or designee.
 - ii. Shrubs located next to pedestrian walkways and other vulnerable areas as determined by the planning manager or his or her designee shall not exceed 3 feet in height at maturity;
 - iii. Trees shall be pruned up to 6 feet above ground;
 - iv. Trees and shrubs shall be pruned back from windows, doors and walkways;
 - v. Decorative stone, brick, and other masonry material shall be grouted to prevent removal by hand;
 - vi. Entrances to the site and parking lots shall be defined with landscaping or entry feature;
 - vii. Outdoor waste and recycle bins shall be contained within a locked structure to prevent unauthorized entry; and
 - viii. Other requirements as prescribed in Chapter 16.70.
- f. Noise:

- i. The use of generators is prohibited, except as short-term temporary emergency back-up systems; and
 - ii. Other requirements as prescribed in Section 16.72.030.
- g. Odor control: A sufficient odor-absorbing ventilation and exhaust system shall be installed to ensure that odor generated by the use is not detected outside the property, anywhere on adjacent properties or public rights-of-way, or within any other unit located within the same building as the \ cannabis use.
- h. Maintenance:
 - i. Property shall be maintained free of debris, litter and trash; and
 - ii. Comply with Chapter 7.54, Property Maintenance.
- i. Other performance standards: comply with all requirements prescribed in Chapter 16.72.

V. Retail sales of cannabis. Where this code conflicts with Title 16 and MAUCRSA design and development standards, the more restrictive standards shall apply. All applicable district requirements are met, together with the following requirements:

1. Regulatory Permits. Retail sales of cannabis uses must obtain and maintain all required State and local permits and licenses including the local regulatory permit to operate required under Chapter 7.200 of this code. Revocation of the State cannabis license or the local regulatory permit to operate under Chapter 7.200 of this code shall be grounds for revocation of the minor use permit for the Retail sales of cannabis use. Valid and applicable State and local licenses and permits shall be publicly displayed at all times during hours of operation. Operations and location requirements must at all times comply with applicable regulations contained in Title 16 of the California Code of Regulations as those may be updated from time to time by the California Bureau of Cannabis Control.
2. Locational Limitation.
 - a. Any Retail sales of cannabis use may not be located within a six hundred-foot radius of a school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center as defined in Health & Safety Code Section 11353.1. The distance specified in this section shall be the horizontal distance measured in a straight line from the property line of the school or center to the closest property line of the lot on which the permittee is to be located without regard to intervening structures.
 - b. Any applicant for a use permit to conduct retail sales of cannabis, whether for 'adult use' or medicinal purposes, must conduct all retail sales at one site.
3. Development and Operational Standards. Retail sales of cannabis uses shall comply with site development standards specified in the applicable zoning district. Such uses shall also comply with the following standards:

- a. General:
 - i. No person under age eighteen (for medical Retail sales of cannabis) or twenty-one (for recreational Retail sales of cannabis) shall be allowed on the property.
 - ii. No transactions outside, or partially outside of an enclosed building are permitted. No transactions which are performed through walk-up or drive-through service are allowed.
 - iii. The property shall not include patio or café seating, unless used exclusively for employees in an area not accessible to the general public.
 - iv. No use, inhalation, smoking, eating, ingestion, or other consumption of cannabis in any form shall be allowed on the property, including the parking areas of the property.
 - v. No alcohol shall be consumed, made available, sold, offered for sale, given, distributed, traded, or otherwise provided to customers, employees, guests, visitors, or volunteers.
 - vi. No retail sales of cannabis shall occur, in any form, to anyone between the hours of eight (8:00) p.m. and nine (9:00) a.m., except delivery.
 - vii. The property complies with all applicable California State Building Code provisions, the city’s property maintenance ordinance and is maintained free of debris, litter and trash.
 - viii. All transactions, including but not limited to cash or in-kind contributions, reimbursement or compensation, shall be fully documented.
 - ix. The owner will have a written security plan including procedures for verifying identification and age of purchasers. The plan must include a description of licensed and uniformed security guards who must be present on site during hours of operation, including their number, location and hours, as well as a theft prevention plan including locked exterior doors and windows during the times the business is closed. The licensed and uniformed security guard best practices shall comply with state law.
 - x. The point of sale software used to track retail sales must be acceptable to the finance director.
 - xi. Retail sellers of cannabis may only use one name to identify themselves in the minor use permit, the local regulatory permit, the state license and any other state or local permit that may be required.
- b. Limitations on retail area in industrial zones. In the Intensive Use-Limited (IU-L), Intensive Use (IU), and Planned Development Industrial (PDI) Districts, no more than 50 percent of the floor area shall be devoted to retail sales.
- c. Lighting:
 - i. Exterior perimeter lighting shall be in place prior to operation;

- ii. Exterior lighting shall be code compliant LED fixtures or high efficiency luminaries, and shall have an illumination intensity of between one and four foot candles;
 - iii. Lights shall be directed and shielded so as not to illuminate adjoining properties;
 - iv. Lights shall include housing to protect against breakage;
 - v. Broken or burnt out lights shall be replaced within 48 hours;
 - vi. Transitional lighting shall be incorporated in exterior areas providing access to and from buildings or uses within a site; and
 - vii. Trees and shrubs shall not interfere with the distribution of lighting as required by this section.
- d. Signs:
- i. A sign shall be posted on the door or in view of the entrance stating that no person under the age of eighteen (for medical Retail sales of cannabis) or twenty-one (for recreational Retail sales of cannabis) is allowed on site.
 - ii. A sign shall be posted stating that the use or consumption of cannabis or cannabis products on or near the premises is prohibited.
 - iii. A sign shall be posted stating loitering on or near the premises is prohibited.
 - iv. A sign shall be posted outside the facility in full public view containing City contact information for both emergency situations and information regarding public concern about operations.
 - v. Other requirements as prescribed in Chapter 16.64.
- e. Windows. In order to promote a strong pedestrian connection for retail safety, visibility, Crime Prevention Through Environmental Design and a positive active environment, support natural lighting, and enhance curb appeal and value of retail space:
- i. No display of cannabis or cannabis product shall be permitted within 10 feet of the window.
 - ii. Storefronts must maintain transparent windows that allow visibility into the store, with a minimum of 60 percent transparency on the street frontage at the ground level and allow visibility into the building at a minimum of four feet above the ground.
- f. Screening and landscaping:
- i. Shrubs located next to pedestrian walkways and other vulnerable areas as determined by the planning manager or his or her designee shall not exceed three feet in height at maturity.
 - ii. Trees shall be pruned up to six feet above ground.
 - iii. Trees and shrubs shall be pruned back from windows, doors and walkways.
 - iv. Decorative stone, brick, and other masonry material shall be grouted to prevent removal by hand.
 - v. Entrances to the site and parking lots shall be defined with landscaping or entry features.

- vi. Outdoor waste and recycle bins shall be contained within a locked structure to prevent unauthorized entry.
- vii. Other requirements as prescribed in Chapter 16.70.
- g. Noise:
 - i. The use of generators is prohibited, except as short-term temporary emergency back-up systems; and
 - ii. Other requirements as prescribed in Section 16.72.030 shall apply.
- h. Odor control: A sufficient odor-absorbing ventilation and exhaust system shall be installed and operated to ensure that odor generated by the use is not detected outside the property, anywhere on adjacent properties or public rights-of-way, or within any other separate use or unit located within the same building as the Retail sales of cannabis use.
 - i. Maintenance:
 - 1. Property shall be maintained free of debris, litter and trash; and
 - 2. The use shall comply with Chapter 7.54, Property Maintenance.
- j. Other performance standards: The use shall comply with all requirements prescribed in Chapter 16.72.

SECTION 17. Sub-Section 16.82.150(C) of the Vallejo Municipal Code Use permit abandoned is hereby amended to read as follows:

C. A use permit, or portion of a use permit, authorizing retail sales of cannabis, cannabis testing laboratory, cannabis cultivation, distribution, or manufacturing uses shall be deemed to be abandoned if the use ceases operation and remains "not in use" for twelve consecutive months. A new use permit shall be secured prior to the resumption of the cannabis cultivation, distribution, manufacturing, testing laboratory and/or retail sales of cannabis use.

SECTION 18. Chapter 16.110 Planned Development and Industrial District is hereby amended moving Section 16.110.021 to section 16.110.026 of the Vallejo Municipal Code to read as follows:

16.110.026 - Permitted uses subject to a minor use permit.

The following use types are permitted upon issuance of a minor use permit, as provided in Chapter 16.82:

- A. Commercial Use Types.
 - 1. Cannabis testing laboratory
 - 2. Retail sales: cannabis.
- B. Industrial Use Types
 - 1. Cannabis Cultivation.
 - 2. Cannabis Distribution

3. Cannabis Manufacturing

SECTION 19. Vallejo Municipal Code Chapter 16.110 Planned Development and Industrial District notes section is hereby amended to read as follows:

16.110.030 - Development standards.

Note: The Screening and Landscaping Regulations (Chapter 16.70) and the Site Development Standards Chapter 16.75) are not applicable to this district. However, minor use permits involving cannabis cultivation, distribution, manufacturing, testing laboratory and retails sales of cannabis uses are subject to specific regulations and standards contained in those chapters.

SECTION 20. Effective Date.

First read at a regular meeting of the Council of the City of Vallejo held on the 11th day of December 2018 and finally passed and adopted at a regular meeting of the Council of the City of Vallejo held on the 18th day of December 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

BOB SAMPAYAN, MAYOR

ATTEST:

DAWN G. ABRAHAMSON, CITY CLERK

ORDINANCE NO. __ N.C. (2d)

AN ORDINANCE AMENDING CHAPTER 7.100 OF THE
VALLEJO MUNICIPAL CODE TO REGULATE CANNABIS BUSINESSES
DURING A PERIOD OF AMORTIZATION

WHEREAS, the Compassionate Use Act adopted by voters in 1996, and the Medical Marijuana Program Act, enacted by the state legislature in 2003, provided California's qualified patients and their primary caregivers with limited immunities to specified criminal prosecutions under state law for purposes including to ensure that qualified patients and their primary caregivers who obtain and use marijuana for medical purposes are not subject to state criminal prosecution; and

WHEREAS, in November 2011, City of Vallejo voters passed Measure C, a marijuana business tax-revenue ordinance which provides that payment of a business license tax and its acceptance by the City shall not entitle any person to carry on a marijuana business in a zone or locality in which the conduct of such marijuana business is in violation of any law; and

WHEREAS, in 2011, the zoning ordinance of the City of Vallejo did not allow marijuana dispensaries as a use, which rendered any such use an illegal public nuisance per se; and

WHEREAS, prior to the initial passage of VMC Chapter 7.100, according to police sightings, neighborhood complaints, and internet information, more than 40 unpermitted marijuana businesses were operating in the City of Vallejo without any land use approval under the Vallejo Municipal Code, and an unknown number of businesses continued to open, close, and reopen in Vallejo with no regulatory authorization from the City; and

WHEREAS, in July 2015, Chapter 7.100 was added to the Vallejo Municipal Code to offer immunity from prosecution to certain medical marijuana dispensaries, while also providing that neither permits of any kind, nor fire inspections, nor payment of taxes in any way bestowed a legal right to use land for a medical marijuana dispensary; and

WHEREAS, in June 2017, the California State legislature passed a budget trailer bill, Senate Bill 94, that integrated MCRSA with AUMA and created the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) (Cal. Bus. & Prof. Code section 26000 et seq.) setting forth a state licensing framework for commercial marijuana activity; and

WHEREAS, in August 2017, Chapter 7.100 was amended to authorize issuance of a regulatory permit, without vested rights, to each medical marijuana dispensary that had been issued a letter of limited immunity, even though the land use ordinance did not include cannabis business activity as an allowed land use; and

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By: 
City Attorney

WHEREAS, MAUCRSA sets forth a comprehensive scheme allowing and regulating the sale of cannabis for adult use, and medical marijuana dispensaries could apply for permits to engage in cannabis retail business, either for medical or for adult use; and

WHEREAS, MAUCRSA required state licensing agencies to begin issuing state licenses by January 1, 2018; and

WHEREAS, the state licensing agencies issued emergency regulations on November 16, 2017, and the Office of Administrative Law issued its final decision on the adoption of the regulations before January 1, 2018, and re-adopted emergency regulations effective June 6, 2018; and

WHEREAS, on May 22, 2018, Vallejo amended its zoning ordinance to allow cultivation, distribution, and manufacturing uses in compliance with the state regulatory scheme and local land-use requirements; and

WHEREAS, the City Council is, concurrently with this ordinance, amending its zoning ordinance to provide that certain cannabis related land uses are permitted land uses in designated zones within the city of Vallejo as long as local and state regulatory permits are also obtained; and

WHEREAS, it is the City Council’s desire to end illegal nonconforming land uses for cannabis business retailers who have been issued a local regulatory permit pursuant to Chapter 7.100 of the Vallejo Municipal Code, while at the same time affording these cannabis business retailers a reasonable amortization period in order to either relocate or legalize the land use, as needed, before ending the currently illegal land use; and

WHEREAS, during the amortization period, cannabis business retailers should seek to apply for and obtain the required local regulatory permits under VMC Chapter 7.200 and the required land use entitlements under the city’s zoning ordinance to ensure the continuance of their cannabis business activity.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF VALLEJO DOES ORDAIN AS FOLLOWS:

SECTION 1. Vallejo Municipal Code Chapter 7.100 is hereby repealed and replaced with a new Chapter 7.100 to read as follows:

7.100.010 Purpose and Intent.

It is the purpose and intent of this chapter to limit the proliferation of unregulated cannabis businesses and exercise local police power and authority to the full extent allowed by the California Constitution and Medicinal and Adult-Use Cannabis Regulation and Safety Act of 2017. This ordinance is not intended to conflict with federal or state law. Nothing in this ordinance purports to permit activities that are otherwise illegal under federal, state, or local law. As amended on December 11, 2018, this ordinance establishes a period of amortization during which cannabis businesses who have obtained a local regulatory permit under this chapter, and who have obtained the required state license(s) may continue to operate. The amortization period

begins on the effective date of this ordinance and ends on January 1, 2022. This chapter, and any local regulatory permits issued pursuant to it, shall cease to have any effect after January 1, 2022.

7.100.020 Definitions.

Unless a different definition is set forth below or in Chapter 16.06 of the Vallejo Municipal Code, whenever cannabis industry-related words or phrases appear in this chapter, they shall be given a meaning that is consistent with the definitions contained in Cal. Bus. & Prof. Code section 26001.

“Amortization period” is the period of time after which all non-conforming cannabis businesses must cease. For purposes of this ordinance, the amortization period begins upon the effective date of this ordinance and ends on January 1, 2022.

“Applicant” is an owner who is applying for the local regulatory permit issued under this chapter or Chapter 7.200.

“Cannabis” has the same meaning as marijuana in section 5.05.100 of the Vallejo Municipal Code. Cannabis includes *Cannabis indica*, and *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin.

“Cannabis business” is a store or location engaged in cannabis business activity.

“Cannabis business retailer” is a store or business engaged in authorized retail sales of cannabis.

“Cannabis business activity” is commercial cannabis activity including retail sales, delivery, distribution, storage, dispensing, selling, manufacturing, infusing, packaging, re-packaging, labeling, re-labeling, cultivating, delivering and distributing cannabis, cannabis concentrate, cannabis products and cannabis accessories as licensed and permitted in accordance with the Vallejo Municipal Code, its zoning ordinances, and as further regulated by the State of California pursuant to the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

“Cannabis concentrate” means cannabis that has undergone a process to concentrate one or more active cannabinoids, thereby increasing the product’s potency. Resin from granular trichomes from a cannabis plant is a concentrate. A cannabis concentrate is not considered food, as defined by Section 109935 of the California Health and Safety Code, or a drug, as defined by Section 109925 of the California Health and Safety Code.

“Cannabis products” has the same meaning as in Section 11018.1 of the California Health and Safety Code.

“Local regulatory permit” is the regulatory permit issued by the City of Vallejo to permit specific kinds of cannabis business activity in accordance with this chapter.

“Manager” means a person hired by or accountable to the cannabis business who is responsible for its establishment, organization, registration, supervision, or including but not limited to persons who perform the functions of president, vice president, director, operating officer, financial officer, secretary, treasurer, or manager of the cannabis business.

“Nonconforming cannabis business(es)” are those cannabis businesses who have not obtained their land use entitlement under the city’s zoning ordinance or are not in full compliance with the Vallejo Municipal Code and the State of California’s Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

“Owner” means any of the following:

1. A natural person with a majority ownership interest in the business entity.
2. The chief executive officer of a nonprofit or other entity.

“Property” as used in this chapter means the location at which the cannabis business activity occurs.

7.100.030 Unregulated cannabis business activity prohibited, unlawful to make false statements.

A. It is prohibited to engage in cannabis business activity without paying the applicable tax, obtaining the required local permits and the required state licenses.

B. The use of any building, structure, location, premises or land to conduct cannabis business activity without the proper license(s) and local regulatory permit(s) required under this code and under state law shall be deemed to be unregulated cannabis business activity and is prohibited.

C. It is unlawful for any person knowingly to make any false, misleading or inaccurate statement or representation in any form, record, filing or documentation required to be maintained, filed or provided to the City under this chapter or any applicable section of the Vallejo Municipal Code.

7.100.040 No vested or nonconforming rights.

The local regulatory permit authorizing the cannabis retail business shall not create, confer, or convey any vested or nonconforming right or benefit or land use entitlement running with the land.

7.100.050 Local regulatory permit authorizing cannabis business activity.

A. Only those persons who received a limited immunity authorization letter from the City of Vallejo on or before August 22, 2017, are eligible to receive a local regulatory permit under this chapter.

B. Local regulatory permits are subject to revocation pursuant to section 7.100.090. Permits are valid upon issuance and for the remainder of the fiscal year and must be renewed annually on

or by June 30 for the next fiscal year (e.g., for applications submitted by June 30, 2019, the permit shall be valid until June 30, 2020). However, for Chapter 7.100 permit applications submitted by June 30, 2021, the permit will expire on December 31, 2021.

C. Effective January 1, 2022, all Chapter 7.100 cannabis regulatory permits authorizing the cannabis business activity shall expire and will no longer have any effect.

D. Effective January 1, 2022, nonconforming cannabis business owners must terminate their nonconforming use.

E. Subject to an amortization period that begins as of the effective date of this ordinance, and concludes on January 1, 2022, cannabis business owners may continue to operate as long as they continue to hold a valid, unexpired regulatory permit issued under this section, and continue to comply with applicable state law and adhere to the following requirements made hereby specifically applicable to such Chapter 7.100 cannabis regulatory permit holders:

1. Adhere to all applicable standards and criteria for cannabis retailers under sections 16.82.060(U)(3) and 16.82.060(V)(3).
2. Adhere to all accessory use standards under section 16.58.040(H) for those cannabis business owners engaged in accessory cannabis manufacturing and/or distribution.

F. Cannabis business owners who currently hold a local regulatory permit issued under this chapter must do the following in order to retain their ability to conduct authorized cannabis business activity beyond January 1, 2022:

1. Apply for and obtain the required land use entitlements as set forth in Title 16 of the Vallejo Municipal Code. Owners must apply no later than January 1, 2021, in order to ensure processing in a timely manner.
2. Apply for and obtain the applicable permits as required in Chapter 7.200 of the Vallejo Municipal Code. Owners must apply no later than January 1, 2021, in order to ensure processing in a timely manner.
3. Apply for and obtain the applicable licenses and permits from the State of California.

G. Cannabis business owners who do not obtain all required permits by January 1, 2022, will lose their ability to engage in authorized cannabis business activity in compliance with this chapter.

H. All cannabis business owners who hold a local regulatory permit under this chapter must fulfill the following requirements continuously, and include in their annual application to renew the tax certificate, a request to renew the local regulatory permit issued under this chapter. This local regulatory permit must be obtained initially and thereafter renewed every year together with the annual tax certificate renewal. Renewal applications must be submitted at least 60 days before the end of the fiscal year. A cannabis business retailer who submits a renewal application late (less than 60 days before the end of the fiscal year) will be required to submit a new application and pay a new application fee. Cannabis business owners must include information showing compliance with each requirement below in their initial application as well as each renewal.

Cannabis business owners must include the following information indicating compliance with the following:

1. Maintain on file, and present if requested, a tax certificate issued by the City to the dispensary before April 23, 2013.
2. Maintain on file, and present if requested, evidence that the medical marijuana dispensary operated prior to April 23, 2013.
3. Maintain on file, and present if requested, evidence demonstrating the medical marijuana dispensary paid quarterly taxes from the date of opening until the City ceased accepting tax in February 2015.
4. Together with its renewal application, and within two weeks of any changes, update the City with any changes to the address of the property where the medical marijuana dispensary is operating.
5. Together with its renewal application, and within two weeks of any changes, update the City with any changes made to the name, address, telephone number, title and function(s) of each manager. For each manager, a fully legible copy of one (1) valid government-issued form of photo identification, such as a driver license shall be submitted.
6. Together with its renewal application, and within two weeks of any changes, update the City with any changes to the criminal status of any of its managers in the event any of them is charged with or has been convicted within the previous ten (10) years of a crime of moral turpitude (such as theft, fraud, or assault), or a crime involving the sale or distribution of any controlled substance.
7. Together with its renewal application, and within two weeks of any changes, submit a summary criminal history (“LiveScan”) for each manager prepared not more than two (2) weeks prior to the date of submission and demonstrating that there are no pending charges or convictions for any crime (including, without limitation, theft, fraud, or assault) within the previous ten (10) years, and that the manager is not currently on parole or probation for the sale or distribution of a controlled substance.
8. Together with its renewal application, and within two weeks of any changes, update the City with any changes to the incorporation status of the cannabis business retailer, including the original and any changes to its filed articles of incorporation with the Secretary of State, any amendments, statements of information, by-laws, charter and constitution.
9. A seller’s permit from the California Department of Tax and Fee Administration.
10. The name and address of the applicant’s current agent for service of process.
11. A statement dated and signed by each manager, under penalty of perjury, he or she has read, understands and shall ensure compliance with all operating conditions as referenced in subsection E above and all the requirements in this subsection.
12. A statement of whether edible cannabis is prepared onsite and, if so, evidence of approval from the applicable regulatory agency pursuant to state law.

7.100.060 Additional cannabis business regulations.

- A. All transactions shall designate Vallejo as the point of sale and be completed through a single, fully integrated point of sale software system acceptable to the finance director.
- B. Inspections by a representative of the City may be conducted anytime during the business's regular business hours, to the full extent allowed by state and federal law.
- C. Cannabis business owners and cannabis laboratory owners may only engage in cannabis business activity, apply for local and state licenses, advertise, and operate a cannabis laboratory, as applicable under one business name. The name of the business and the name of the owner must both be included as such on their local permit(s) and on their state license(s).
- D. No person who is currently charged with or has been convicted within the previous ten (10) years of a crime of moral turpitude (such as theft, fraud, or assault), or a crime involving the sale or distribution of any controlled substance, shall be engaged directly or indirectly in the management of the cannabis business, nor shall any such person manage or handle the receipts and expenses of the cannabis business or cannabis laboratory.
- E. Each cannabis business retailer must post in a public place, a prohibited activity checklist signed by each manager acknowledging responsibility for and compliance with all applicable requirements of sections 16.82.060, 16.58,040 and 16.64 provided that additional conditions may be imposed by the City as necessary to preserve the public health, safety, and welfare.
- F. No cannabis business activity of any kind other than as described in the corresponding local regulatory permit and its application may be conducted on the cannabis business site.
- G. A cannabis business owner may only operate one cannabis retail business on one site. Multiple retail sites owned by the same owner are prohibited.

7.100.070 Delivery.

- A. Each authorized cannabis business is authorized to deliver cannabis.
- B. Deliveries originating outside of Vallejo shall comply with all local and state law requirements, including obtaining a Vallejo business license and paying Vallejo business license tax.
- C. Every person making a delivery of cannabis in Vallejo shall carry a copy of the local and state license authorizing delivery and shall submit a copy of such licenses to the city manager prior to engaging in deliveries.

7.100.080 Location.

- A. Cannabis businesses shall not be located within a six hundred (600) foot radius of a school providing instruction in kindergarten or any grades 1 through 12, daycare center, or youth center. The distance specified in this section shall be the horizontal distance measured in a straight line

from the property line of the school to the closest property line of the lot on which the property is located without regard to intervening structures.

B. Any cannabis business who is conducting cannabis business activity and who has obtained a local regulatory permit and is otherwise compliant with the provisions of this chapter, but whose cannabis business activity is located on property that does not comply with subsection A and California Health & Safety Code section 26054(b), or is located in a zone that prohibits the cannabis business activity must relocate to a location that both: 1) complies with state law and 2) complies with the city's zoning ordinance by January 1, 2022. During the period of amortization, these businesses will not be required to relocate as long as they remain in compliance with this chapter.

C. Any person who has received a local regulatory permit must conduct all medical and adult-use retail sales operations at one site.

7.100.090 Revocation of Permit.

A. The city manager may revoke a permit issued under this chapter for any of the following reasons:

1. Failure or inability to comply with the provisions of Chapter 7.100.
2. Failure to obtain or maintain required state license(s).
3. Failure to provide information required by the City.
4. Failure to obtain or maintain the required land use entitlements under Title 16 of the Vallejo Municipal Code.
5. Charge or conviction of a criminal offense (within 10 years) involving a crime of moral turpitude (such as theft, fraud, or assault), or crimes involving the sale or distribution of any controlled substance by the owner or any manager of the cannabis business.
6. Failure to submit local regulatory permit renewals under this chapter, or the application(s) pursuant to Chapter 7.200 and land use applications as required under Title 16 by January 1, 2021.

B. No revocation shall occur unless the city manager has issued a written warning sent by U.S. mail to the cannabis business and the cannabis business has failed to comply within 30 calendar days of mailing.

7.100.100 Appeal.

A. Any person aggrieved by the decision of the city manager to revoke the permit may appeal the city manager's written decision to a hearing officer selected by the City. The hearing officer shall render a decision affirming or reversing the decision of the city manager. The hearing officer may direct the reconsideration of the matter in the light of his or her decision but the decision shall not limit or control in any way the discretion vested by law in the city.

B. Any person aggrieved by the decision of the hearing officer may seek judicial review of the decision by filing a petition with a court of competent jurisdiction pursuant to California Code of Civil Procedure sections 1094.5 and 1094.6.

7.100.110 Transfer or Relocation.

Cannabis business owners in possession of a Chapter 7.100 permit may not relocate or transfer their permit, except that they may seek and obtain a local regulatory permit in accordance with Chapter 7.200 and all applicable requirements of the city’s zoning ordinance. Permits obtained in accordance with Chapter 7.200 are transferable as set forth therein. However, any attempt to transfer the Chapter 7.100 permit shall void the permit.

7.100.120 Maintenance of Records.

A. A cannabis business owner shall maintain the following accurate and truthful records on the Property:

1. The full legal entity name of the cannabis business as recorded with the California Secretary of State, the name and address of its agent named for service of process, and the address of the property where the cannabis business activity is conducted.
2. The full name, all residential and business address(es), and telephone number(s) of each cannabis business owner(s) and manager(s), date of joining, date of birth, and the exact nature of the participation in the ownership of and the management of the cannabis business.
3. The current address of all sites at which cannabis is cultivated for the cannabis business.
4. A written accounting of all cash and in-kind contributions, reimbursements, and compensation provided by or to the cannabis business owners, managers and members to or from the cannabis business, and all expenditures and costs incurred by the cannabis business.
5. An inventory record documenting the dates and amounts of cannabis sold, stored delivered or distributed on or from the property.
6. These records shall be maintained by the cannabis business for a period of five (5) years and shall be made available by the manager to the City upon request.

7.100.130 Inspection Authority.

City representatives may enter and inspect the property where cannabis business activity takes place between the hours of nine o’clock (9:00) a.m. and seven o’clock (7:00) p.m., or at any reasonable time to ensure compliance and enforcement of the provisions of this chapter. It is unlawful for any Property owner, landlord, lessee, member or manager or any other person having any responsibility over the operation of the cannabis business to refuse to allow, impede, obstruct or interfere with an inspection.

7.100.140 Public Nuisance.

Any cannabis business that is not in compliance with this chapter is an illegal public nuisance.

7.100.150 Enforcement.

A. Any person violating any provision of this chapter or misrepresenting any material fact in demonstrating compliance with requirements of this chapter shall be deemed guilty of a misdemeanor punishable by a fine of not more than one thousand dollars (\$1,000) or by imprisonment for not more than twelve (12) months, or by both such fine and imprisonment.

B. A building, structure or location that is being used to conduct unregulated cannabis business activity is deemed to be a public nuisance.

C. Any cannabis business owner, landlord, lessor, lessee, owner, manager, employee or person who violates this chapter shall be subject to prosecution. Violations of this chapter may be abated through injunctive relief, revocation of the applicable permit(s), disgorgement and payment to the City of any and all monies unlawfully obtained, costs of abatement, costs of investigation, attorney fees, and any other relief or remedy available at law or equity.

SECTION 2. Severability.

If any section, subsection, sentence, clause, phrase or word of this ordinance is for any reason held to be invalid by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have passed and adopted this ordinance, and each and all provisions hereof, irrespective of the fact one or more provisions may be declared invalid.

SECTION 3. Effective Date.

First read at a regular meeting of the Council of the City of Vallejo held on the 11th day of December 2018 and finally passed and adopted at a regular meeting of the Council of the City of Vallejo held on the 18th day of December 2018 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

BOB SAMPAYAN, MAYOR

ATTEST:

DAWN G. ABRAHAMSON, CITY CLERK

ORDINANCE NO. _____N.C. (2d)

AN ORDINANCE ESTABLISHING LOCAL REGULATORY
PERMITS FOR CANNABIS BUSINESS ACTIVITY

WHEREAS, the Compassionate Use Act adopted by voters in 1996, and the Medical Marijuana Program Act, enacted by the state legislature in 2003, provided California’s qualified patients and their primary caregivers with limited immunities to specified criminal prosecutions under state law for purposes including to ensure that qualified patients and their primary caregivers who obtain and use marijuana for medical purposes are not subject to state criminal prosecution; and

WHEREAS, in November 2011, City of Vallejo voters passed Measure C, a marijuana business tax-revenue ordinance which provides that payment of a business license tax and its acceptance by the City shall not entitle any person to carry on a marijuana business in a zone or locality in which the conduct of such marijuana business is in violation of any law; and


WHEREAS, in 2011, the zoning ordinance of the City of Vallejo did not allow marijuana dispensaries as a use, which rendered any such use an illegal public nuisance per se; and

WHEREAS, prior to the initial passage of VMC Chapter 7.100, according to police sightings, neighborhood complaints, and internet information, more than 40 unpermitted marijuana businesses were operating in the City of Vallejo without any land use approval under the Vallejo Municipal Code, and an unknown number of businesses continued to open, close, and reopen in Vallejo with no regulatory authorization from the City; and

WHEREAS, in July 2015, Chapter 7.100 was added to the Vallejo Municipal Code to offer immunity from prosecution to certain medical marijuana dispensaries, while also providing that neither permits of any kind, nor fire inspections, nor payment of taxes in any way bestowed a legal right to use land for a medical marijuana dispensary; and

WHEREAS, in June 2017, the California State legislature passed a budget trailer bill, Senate Bill 94, that integrated MCRSA with AUMA and created the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) (Cal. Bus. & Prof. Code section 26000 et seq.) setting forth a state licensing framework for commercial marijuana activity; and

WHEREAS, in August 2017, Chapter 7.100 was amended to authorize issuance of a regulatory permit, without vested rights, to each medical marijuana dispensary that had been issued a letter of limited immunity, even though the land use ordinance did not include cannabis business activity as an allowed land use; and

Approved as to Form
By: 
City Attorney

WHEREAS, MAUCRSA sets forth a comprehensive scheme allowing and regulating the sale of cannabis for adult use, and medical marijuana dispensaries could apply for permits to engage in cannabis retail business, either for medical or for adult use; and

WHEREAS, MAUCRSA required state licensing agencies to begin issuing state licenses by January 1, 2018; and

WHEREAS, the state licensing agencies issued emergency regulations on November 16, 2017, and the Office of Administrative Law issued its final decision on the adoption of the regulations before January 1, 2018, and re-adopted emergency regulations effective June 6, 2018; and

WHEREAS, on May 22, 2018, Vallejo amended its zoning ordinance to allow cultivation, distribution, and manufacturing uses in compliance with the state regulatory scheme and local land-use requirements; and

WHEREAS, the City Council is, concurrently with this ordinance, amending its zoning ordinance to provide that certain cannabis related land uses are permitted land uses in designated zones within the city of Vallejo as long as local and state regulatory permits are also obtained; and

WHEREAS, it is the City Council's desire to end illegal nonconforming land uses for cannabis business retailers who have been issued a local regulatory permit pursuant to Chapter 7.100 of the Vallejo Municipal Code, while at the same time affording these cannabis business retailers a reasonable amortization period in order to either relocate or legalize the land use, as needed, before ending the currently illegal land use; and

WHEREAS, during the amortization period, cannabis business retailers should seek to apply for and obtain the required local regulatory permits under VMC Chapter 7.200 and the required land use entitlements under the city's zoning ordinance to ensure the continuance of their cannabis business activity; and

WHEREAS, Cal. Bus. & Prof. Code section 26200 expressly recognizes the authority of a city to regulate cannabis business activities; and

WHEREAS, the City Council may consider the issuance of additional local regulatory permits in the future if the number of cannabis businesses declines.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF VALLEJO DOES ORDAIN AS FOLLOWS:

SECTION 1. Vallejo Municipal Code Chapter 7.200 is hereby repealed and replaced with a new Chapter 7.200 to read as follows:

7.200.010 Purpose and intent.

It is the purpose and intent of this chapter to exercise local police power and authority to the full extent allowed by the California Constitution and the Medicinal and Adult-Use Cannabis Regulation and Safety Act of 2017, to facilitate safe access to and regulate certain businesses

engaged in cannabis business activity and to regulate cannabis laboratories while preventing the proliferation of noncompliant and nonconforming illegal cannabis businesses and negative secondary effects associated with them including crime, code violations, and strain on municipal staff and resources. This ordinance is not intended to conflict with federal or state law. Nothing in this ordinance purports to permit activities that are otherwise illegal under federal, state, or local law.

7.200.020 Definitions.

Unless a different definition is set forth below or in Chapter 16.06 of the Vallejo Municipal Code, whenever cannabis industry-related words or phrases appear in this chapter, they shall be given a meaning that is consistent with the definitions contained in Cal. Bus. & Prof. Code section 26001.

“Amortization period” is the period of time after which all non-conforming cannabis businesses must cease. For purposes of this ordinance, the amortization period begins upon the effective date of this ordinance and ends on January 1, 2022.

“Applicant” is an owner who is applying for the local regulatory permit issued under this chapter.

“Cannabis” has the same meaning as marijuana in section 5.05.100 of the Vallejo Municipal Code. Cannabis includes *Cannabis indica*, and *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin.

“Cannabis concentrate” means cannabis that has undergone a process to concentrate one or more active cannabinoids, thereby increasing the product’s potency. Resin from granular trichomes from a cannabis plant is a concentrate. A cannabis concentrate is not considered food, as defined by Section 109935 of the California Health and Safety Code, or a drug, as defined by Section 109925 of the California Health and Safety Code.

“Cannabis business” is a store or location engaged in cannabis business activity.

“Cannabis business activity” is commercial cannabis activity consisting of retail sales, delivery, distribution, storage, dispensing, selling, manufacturing, infusing, packaging, re-packaging, labeling, re-labeling, cultivating, delivering and distributing cannabis, cannabis concentrate, cannabis products and cannabis accessories as defined, licensed and permitted in accordance with the Vallejo Municipal Code, its zoning ordinances, and as further regulated by the State of California pursuant to the Medical and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). Cannabis business activity does not include “cannabis testing laboratory”

“Cannabis business retailer” is a store or business engaged in authorized retail sales of adult-use cannabis goods to individuals who are at least 21 years of age, and medicinal cannabis goods to individuals at least 18 years of age who possess a valid physician’s recommendation for himself or herself or a person for whom he or she is a primary caregiver.

“Cannabis cultivation” is the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.

“Cannabis distribution” is the procurement, sale and transport of cannabis and cannabis products between persons who have the required State and Local licenses and permits.

“Cannabis manufacturing” refers exclusively to the non-volatile production, preparation, propagation, or compounding of cannabis or cannabis products whether done directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, at a fixed location. This classification also includes infusion, consisting of the direct incorporation of cannabis, cannabinoids, or cannabis concentrates into an edible, topical or other product to produce a cannabis product as well as the packaging or repackaging of cannabis or cannabis products and the labeling or re-labeling of cannabis containers.

“Cannabis products” has the same meaning as in Section 11018.1 of the California Health and Safety Code.

“Cannabis testing laboratory” means a testing laboratory, facility, or entity which offers or performs tests of cannabis, cannabis concentrate or cannabis products to determine chemical profile, the presence of contaminants, or other similar information.

“Local regulatory permit” is the regulatory permit issued by the City of Vallejo to permit specific kinds of cannabis business activity and cannabis testing laboratories in accordance with this chapter.

“Manager” means a person hired by or accountable to the cannabis business or laboratory who is responsible for its establishment, organization, registration, supervision, or oversight, including but not limited to persons who perform the functions of president, vice president, director, operating officer, financial officer, secretary, treasurer, or manager of the cannabis business.

“Nonconforming cannabis business(es)” are those cannabis businesses who have not obtained their land use entitlement under the city’s zoning ordinance or are not in full compliance with the Vallejo Municipal Code and the State of California’s Medical and Adult Use Cannabis Regulation and Safety Act (MAUCRSA).

“Owner” means any of the following:

1. A natural person with a majority ownership interest in the business entity.
2. The chief executive officer of a nonprofit or other entity.

“Property” as used in this chapter means the location at which the cannabis business activity occurs.

7.200.030 Unregulated cannabis business activity prohibited.

A. It is prohibited to engage in cannabis business activity or to operate a cannabis testing laboratory, without paying the applicable tax, obtaining the required local regulatory permit(s) and the required state license(s). Cannabis business activity that is permitted under this chapter is solely that cannabis business activity that is defined in section 7.200.020.

B. The use of any building, structure, location, premises or land to conduct cannabis business activity or to operate a cannabis testing laboratory without the proper license(s) and local regulatory permit(s) required under this code and under state law shall be deemed to be unregulated cannabis business activity and is prohibited.

C. It is unlawful for any person knowingly to make any false, misleading or inaccurate statement or representation in any form, record, filing or documentation required to be maintained, filed or provided to the City under this chapter or any applicable section of the Vallejo Municipal Code. A violation of this subsection may be prosecuted as a misdemeanor punishable by imprisonment in the county jail not exceeding six months, or by a fine not exceeding one thousand dollars (\$1,000), or by both.

D. It is prohibited to engage in cannabis manufacturing involving volatile methods of production, preparation, propagation, compounding or infusion.

7.200.040 No Vested or Nonconforming Rights.

The local regulatory permit authorizing the cannabis business activity or the cannabis testing laboratory shall not create, confer, or convey any vested or nonconforming right or benefit or land use entitlement running with the land.

7.200.050 Local regulatory permit authorizing cannabis business activity and cannabis testing laboratory.

A. A local regulatory permit is required to conduct any type of cannabis business activity or to operate a cannabis testing laboratory.

B. Annual term. Local regulatory permits are valid upon issuance for the remainder of the fiscal year and must be renewed annually on or by June 30 for the next fiscal year (e.g., for applications submitted by June 30, 2019, the permit shall be valid until June 30, 2020.)

C. Permit types. The following permits are issued by the City of Vallejo:

7.200 Table of Cannabis Permits	
Cannabis business Retailer	CR
Cannabis Cultivation	CC
Cannabis Distribution	CD
Cannabis Manufacturing	CM
Cannabis Testing Laboratory	CT

D. Permits for cannabis business activity. An eligible applicant wishing to engage in cannabis business activity must apply and obtain a CR permit. A CR business retailer is eligible to apply for and obtain a CC, a CD, or a CM permit, or any combination thereof.

1. Eligibility.

a. The following applicants are eligible to receive a CR permit authorizing retail sales of cannabis.

- i. Those cannabis business owners who received a limited immunity authorization letter from the City of Vallejo on or before August 22, 2017.
 - ii. Those cannabis business owners who received written authorization from the city manager to receive a transferred CR permit issued under Chapter 7.200 of this Code as described in section 7.200.100.
 - b. Applicants for a CC, CD or CM permit must also hold a CR permit.
 - c. Applicants must meet the requirements of 7.200.060(C) and 7.200.070.
 - 2. Revocation. Local regulatory permits are subject to revocation pursuant to section 7.200.120.
 - 3. Co-location. A CR cannabis business retailer may locate its cannabis business activity for which a CC, CD and/or CM is required either on its existing location, or in one other location as long as zoning permits are obtained and the other location, like the primary location, complies with all applicable local and state laws.
 - 4. Relationship with zoning ordinance. A CR cannabis business retailer must obtain a minor use permit to conduct manufacturing and distribution cannabis business activities, whether at its primary cannabis business retailer location or at the one other additional site. However, as limited by VMC section 16.58.040(H)(Accessory uses), manufacturing and distribution activities may be conducted at the primary cannabis business retail site.
- E. Permits for cannabis testing laboratory.
- 1. Eligibility.
 - a. A cannabis testing laboratory applicant may not be affiliated with, a subsidiary of, a business partner, a manager or employee of a cannabis business retailer.
 - b. Applicants must meet the requirements of 7.200.070(D).
 - 2. Location. A cannabis testing laboratory may not co-locate with any other cannabis business conducting cannabis business activity.

7.200.060 Application/Renewal Requirements.

A. All cannabis business retailers who held a local regulatory permit under VMC Chapter 7.100 must apply no later than January 1, 2021, for the CR permit described in this chapter and comply with the requirements of 7.200.060(C) continuously. This local regulatory permit must be obtained initially and thereafter renewed every year together with the annual tax certificate renewal. Renewal applications must be submitted at least 60 days before the end of the fiscal year. A cannabis business retailer who submits a renewal application late (less than 60 days before the end of the fiscal year) will be required to submit a new application and pay a new application fee. Cannabis business owners must include information showing compliance with each requirement in 7.200.060(C) below in their initial application as well as each renewal.

B. All applicants for a CT cannabis testing laboratory must submit an application, which must be renewed every year together with the annual tax certificate renewal. Applicants must

include the information showing compliance with each requirement in 7.200.060(C) below in their initial application as well as each renewal.

C. Each applicant for a local regulatory permit and for renewal of that permit shall have one owner who must use his or her natural name in the application, and whose name must be the same name appearing in the City's business license, must be named as one of the principals in the Secretary of State filings, and must sign a declaration under penalty of perjury attesting to the truthfulness in meeting every requirement hereunder. The following submissions and requirements apply to applicants who apply for or renew the local regulatory permit issued pursuant to this chapter in order to conduct cannabis business activity or operate a cannabis laboratory:

1. For businesses engaged in cannabis business activity only:
 - a. A copy of the limited immunity authorization letter issued by the City of Vallejo received on or before August 22, 2017, if applicant is an original person who received it, or, a copy of the limited immunity authorization letter issued by the City of Vallejo plus a copy of the authorization letter from the city manager authorizing transfer of the local regulatory permit as described in section 7.200.100 if the applicant is not the original person who received it.
 - b. A copy of the tax certificate issued by the City to the cannabis business when it operated as a medical marijuana certificate, before April 23, 2013.
 - c. A statement of whether edible cannabis is prepared onsite and, if so, evidence of approval from the applicable regulatory agency pursuant to state law.
2. For businesses engaged in cannabis business activity and for cannabis laboratories:
 - a. An approved land use permit(s), together with the conditions of approval authorizing the applicable cannabis business activity for which a local regulatory permit is being sought.
 - b. A copy of the Bureau of Cannabis Control license(s) for the applicable cannabis business activity or for the cannabis testing laboratory for which a local regulatory permit is being sought.
 - c. A copy of documents showing current taxes paid to the City and to the State.
 - d. Upon application, and together with any renewal application, or within two weeks of any changes, applicant must update the City with any changes to the address of the property where the cannabis business is operating.
 - e. Upon application, and together with any renewal application, or within two weeks of any changes, provide to or update the City with the name, address, telephone number, title and function(s) of each manager. For each manager, a fully legible copy of one (1) valid government-issued form of photo identification, such as a driver's license shall be submitted.
 - f. Upon application, and together with any renewal application, or within two weeks of any changes, provide to or update the City with any changes to the criminal status of any of its owner or manager(s) in the event any of them is charged with or has been convicted within the previous ten (10) years of a crime of moral turpitude (such as theft, fraud, or assault), or has

been charged or convicted of crimes involving the sale or distribution of any controlled substance.

- g. Upon application, and together with any renewal application, or within two weeks of any changes, submit a summary criminal history (“LiveScan”) for each owner or manager prepared not more than two (2) weeks prior to the date of submission and demonstrating that there are no pending charges or convictions for any crime (including, without limitation, theft, fraud, or assault) within the previous 10 years, and that the owner or manager has been charged or convicted of crimes involving the sale or distribution of any controlled substance.
- h. Upon application, and together with any renewal application, or within two weeks of any changes, provide to or update the City providing all relevant documents reflecting the initial business entity creation or any changes to its business entity, including changes in principals, changes to the incorporation status, its filed articles of incorporation with the Secretary of State, statements of information, by-laws, charter, constitution etc.
- i. For those cannabis businesses engaged in cannabis business activity, a valid seller’s permit from the California Board of Equalization.
- j. The name, telephone number, and address of the applicant's current agent for service of process.

D. If any of the application or renewal requirements are not met, the city manager shall notify the applicant of the deficiency within 30 calendar days of submission of the application or the renewal, after which the applicant will have 14 calendar days from receipt of notice to correct the deficiency. If the deficiency is not corrected within 14 calendar days, the city manager may deny the permit and notify the applicant of this determination in writing.

7.200.070 Additional cannabis business regulations.

A. All transactions shall designate Vallejo as the point of sale and be completed through a single, fully integrated point of sale software system acceptable to the finance director.

B. Inspections by a representative of the City may be conducted anytime during the business’s regular business hours, to the full extent allowed by state and federal law.

C. Cannabis business owners and cannabis laboratory owners may only engage in cannabis business activity, apply for local and state licenses, advertise, and operate a cannabis laboratory, as applicable under one business name. The name of the business and the name of the owner must both be included as such on their local permit(s) and on their state license(s).

D. No person who is currently charged with or has been convicted within the previous ten (10) years of a crime of moral turpitude (such as theft, fraud, or assault), or a crime involving the sale or distribution of any controlled substance, shall be engaged directly or indirectly in the management of the cannabis business, nor shall any such person manage or handle the receipts and expenses of the cannabis business or cannabis laboratory.

E. No cannabis business activity of any kind other than as described in the corresponding local regulatory permit application and the local regulatory permit may be conducted on the cannabis business site.

7.200.080 Delivery.

A. Each authorized cannabis business is authorized to deliver cannabis.

B. Deliveries originating outside of Vallejo shall comply with all local and state law requirements, including obtaining a Vallejo business license and paying Vallejo business license tax.

C. Every person making a delivery of cannabis in Vallejo shall carry a copy of the local and state license authorizing delivery and shall submit a copy of such licenses to the city manager prior to engaging in deliveries.

7.200.090 Conditional regulatory permit.

Notwithstanding the land use approval requirement under section 7.200.060(C)(2)(a), the city manager in his or her reasonable discretion, may authorize the issuance of a conditional local regulatory permit under this chapter to any applicant who has submitted all the required information and met all other applicable requirements of this chapter if the applicant has submitted a complete land use entitlement application and paid its fee but the City has not yet ruled on its approval. If the City issues the required land use entitlement, the temporary conditional regulatory permit shall become the local regulatory permit issued under this chapter. If the City denies the land use entitlement, the temporary conditional use permit shall be revoked.

7.200.100 Transfer of local regulatory permit for cannabis business activity.

A. All transfers of the local regulatory permit for CR from one owner engaged in cannabis business activity to another owner must be approved by the city manager. A transfer of the local regulatory permit without city manager approval voids the local regulatory permit. A cannabis laboratory local regulatory permit may not be transferred.

B. Subject to the following conditions, the city manager may approve a transfer of the local regulatory permit to another cannabis business owner.

C. The subsequent cannabis business owner must submit a joint application for transfer of the local regulatory permit, and pay the initial application fee to demonstrate compliance with all the requirements contained in 7.200.060 and 7.200.070 in a form provided by the city manager at least three months prior to the desired date of transfer, or, a shorter time period as may be provided by the city manager in his or her discretion.

D. The local regulatory permit may not be shared or split between two or more owners. Only one owner at a time may hold the local regulatory permit.

E. The original business owner and the subsequent business owner must provide a notarized letter signed by each of them declaring their intent to transfer the business, and their joint request that the local regulatory permit be approved for transfer by the City of Vallejo.

F. At the time of the transfer request, payment of all city and state taxes must be current, and the cannabis business must be in good standing, and in compliance with all state and local laws.

G. The original business owner must cease all cannabis business activity within the city of Vallejo and may not be employed by or involved in the new business owner's cannabis business activity for a period of one year.

H. The subsequent business owner may not begin to conduct cannabis business activity within the city of Vallejo until the city manager approves the transfer in writing.

I. Upon approval of the transfer, the new business owner shall be subject to the same requirements as the original business owner.

J. If the transfer is not approved, the original business owner may either 1) immediately remedy the condition(s) which led to the denial of the transfer or 2) retain the local regulatory permit if the original cannabis business is in full compliance.

7.200.110 Maintenance of Records.

A. An original permit holder or their assignee or a cannabis testing laboratory permittee shall maintain the following accurate and truthful records on the Property:

1. The full legal entity name of the cannabis business as recorded with the California Secretary of State, the name and address of its agent named for service of process, and the address of the property where the cannabis business activity is conducted.
2. The full name, all residential and business address(es), and telephone number(s) of each cannabis business owner(s) and manager(s); date of joining, date of birth, and the exact nature of the participation in the ownership of and the management of the cannabis business.
3. The current address of all sites at which cannabis is cultivated for the cannabis business retailer.
4. A written accounting of all cash and in-kind contributions, reimbursements, and compensation provided by or to the cannabis business owners, managers and members to or from the cannabis business retailer cannabis, and all expenditures and costs incurred by the cannabis business retailer.
5. An inventory record documenting the dates and amounts of cannabis sold, stored, delivered or distributed from the property.

B. These records shall be maintained for a period of five (5) years and shall be made available by the manager to the City upon request.

7.200.120 Revocation of Permit to operate.

- A. The City Manager may revoke a permit if any of the following conditions apply:
1. Failure or inability to comply with the provisions of Chapter 7.200 any other applicable provision of the Vallejo Municipal Code or applicable state law;
 2. Failure to provide information required by the City;

3. Conviction of an offense listed in Section 7.200.070(D) of the Vallejo Municipal Code;
4. Suspension or revocation of a required state license pursuant to MAUCRSA;
5. Failure to pay City marijuana tax; or
6. Failure to maintain valid State seller's permit.
7. Failure to maintain all applicable State License types.

B. No revocation shall occur unless the city manager has issued a written warning sent by U.S. mail to the holder of the permit to operate and the permit holder has failed to comply within 30 calendar days of mailing.

7.200.130 Appeal of Denial or revocation of a permit to operate.

A. Any person aggrieved by the decision of the city manager or his/her designee to deny or revoke the permit to operate may appeal the city manager or his/her designee's written decision within 14 calendar days of the date of issuance.

B. The appeal shall be heard by a hearing officer selected by the City. The hearing officer shall render a written decision affirming or reversing the decision of the city manager or his/her designee.

C. Any person aggrieved by the decision of the hearing officer may seek judicial review of the decision by filing a petition with a court of competent jurisdiction pursuant to California Code of Civil Procedure sections 1094.5 and 1094.6.

7.200.140 Inspection Authority.

City representatives may enter and inspect the property of every original permit holder or their assignee or cannabis testing laboratory containing cannabis activity between the hours of nine o'clock (9:00) a.m. and seven o'clock (7:00) p.m., or at any reasonable time to ensure compliance and enforcement of the provisions of this chapter. It is unlawful for any Property owner, landlord, lessee, member or manager or any other person having any responsibility over the operation to refuse to allow, impede, obstruct or interfere with an inspection.

7.200.150 Public Nuisance.

Any original permit holder or their assignee that is not in compliance with this chapter or Title 16 or MAUCRSA is an illegal public nuisance.

7.200.160 Enforcement.

A. Any person violating any provision of this chapter or misrepresenting any material fact in demonstrating compliance with permit requirements shall be deemed guilty of a misdemeanor punishable by a fine of not more than one thousand dollars (\$1,000) or by imprisonment for not more than twelve (12) months, or by both such fine and imprisonment.

B. As a nuisance per se, any violation of this chapter shall be subject to injunctive relief, revocation of the certificate of occupancy for the property, disgorgement and payment to the City of any and all monies unlawfully obtained, costs of abatement, costs of investigation, attorney fees, and any other relief or remedy available at law or equity. The City may also pursue any and all remedies and actions available and applicable under local and state law for any violation committed by the operator, its managers, members or any person related or associated with the operations.

SECTION 2. Severability.

If any section, subsection, sentence, clause, phrase or word of this Ordinance is for any reason held to be invalid by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed and adopted this Ordinance, and each and all provisions hereof, irrespective of the fact one or more provisions may be declared invalid.

SECTION 3. Effective Date.

First read at a regular meeting of the Council of the City of Vallejo held on the 11th day of December 2018 and finally passed and adopted at a regular meeting of the Council of the City of Vallejo held on the 18th day of December 2018 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

BOB SAMPAYAN, MAYOR

DAWN G. ABRAHAMSON, CITY CLERK



DATE: December 18, 2018
TO: Mayor and Members of the City Council
FROM: Ron Millard, Finance Director
SUBJECT: CITY TREASURER'S INVESTMENT REPORT

RECOMMENDATION

Accept the City Treasurer's Investment Report for the quarter ended September 30, 2018.

REASONS FOR RECOMMENDATION

The City's Investment Policy requires the City Treasurer to submit quarterly investment reports to the City Council.

BACKGROUND AND DISCUSSION

At the end of each calendar quarter, the City Treasurer is required by the City's adopted Investment Policy to report on the status of investments to the City Council. The City Treasurer's Investment Report as of September 30, 2018, is submitted. It is the policy of the City of Vallejo to use the State of California Government Code Sections 53601, 53635, and 53651 provisions for local government investments as guidelines in the developing and implementing of the City's allowable investment policies and practices.

The report includes all securities managed by the City and its Investment Managers (excluding bond proceeds) and provides information on the values (par, fair, and cost), term, and yield of each security.

Fair Value of individual securities has been provided by Wells Fargo Institutional Retirement and Trust. The City utilizes Wells Fargo Institutional Retirement and Trust as its third-party safekeeping custodian for safekeeping of all investments with the exception of the Local Agency Investment Fund (LAIF). LAIF being a money market fund administered by the State Treasurer has many governmental agency participants, and holds securities through its own administrator.

Condensed investment information as of September 30, 2018, is as follows:

<i>Description</i>	Par Value of Portfolio	Fair Value of Portfolio (Market Value)	Cost Basis of Portfolio (Book Value)	Percentage of Portfolio
City of Vallejo:				
U.S. Federal Agency Bonds	\$29,365,000.00	\$28,762,649.15	\$29,335,586.03	24.17%
Local Agency Investment Fund	32,870,918.68	32,870,918.68	32,870,918.68	27.09%
U.S. Treasury Securities	30,360,000.00	29,603,526.65	30,099,668.08	24.80%
Money Market Accounts	1,757,498.92	1,757,498.92	1,757,498.92	1.45%
Corporate Medium Term Notes	17,520,000.00	17,430,963.10	17,622,570.30	14.52%
Municipal Bonds	1,250,000.00	1,257,985.00	1,295,425.00	1.07%
Asset Backed Securities	8,414,579.85	8,339,659.72	8,377,607.20	6.90%
Subtotal City of Vallejo	\$121,537,997.45	\$120,023,201.22	\$121,359,274.21	100.00%
Housing Authority:				
Local Agency Investment Fund	\$768,321.22	\$768,321.22	\$768,321.22	100.00%
Combined Total Investments	\$122,306,318.67	\$120,791,522.44	\$122,127,595.43	100.00%

Footnote: In accordance with Government Code Section 53646, the Fair Value of the Local Agency Investment Fund (LAIF) shown above represents the value from the September 30, 2018, LAIF statement and has not been adjusted by the "Amortized Cost Factor" which is used in adjusting the statement balance to the actual "Fair Value" balance.

Condensed earnings and return information as of September 30, 2018, is as follows:

	Current Quarter	Fiscal Year-to-Date ¹
Portfolio Investment Earnings:		
City of Vallejo	\$ 530,399.33	\$530,399.33
Housing Authority	\$ 3,742.48	\$ 3,742.48
Total Portfolio Investment Earnings	\$ 534,141.81	\$534,141.81
Net Change in Portfolio Fair Value Balance ² :		
City of Vallejo	(\$20,393,193.98)	(\$20,393,193.98)
Housing Authority	\$ 5,059.33	\$5,059.33
Total Net Change in Portfolio Balance	(\$20,388,134.65)	(\$20,388,134.65)
Approximate Portfolio rate-of-return: (annualized yield)		
City of Vallejo		1.67%
Housing Authority		1.93%

BENCHMARK COMPARISON RATE-OF-RETURN³:

Local Agency Investment Fund	2.16%
2-Year U.S. Treasury Note Yield	2.82%

Footnotes:

1. The Fiscal year-to-date is the actual percentage earned for the 3-month period from July 1, 2018, to September 30, 2018, and then is annualized for comparison purposes.
2. The "Net Change in Portfolio Fair Value Balance" is primarily a measure of the difference in the inflows and outflows of funds held in the LAIF account during the period. The change is primarily due to the timing of the receipt of property tax revenues, which are received in December and April of each year, and the timing of the City making withdrawals in the ordinary course of business to pay expenses.
3. These are the performance benchmarks stated in the City's Investment Policy. These are annualized yields.

COMPLIANCE

All investment transactions were executed in accordance with the California Government Code and the City's and Housing Authority's Investment Policies. In accordance with California Government Code section 53646(b)(3), I believe that the investments and budgeted revenues for the City and Vallejo Housing Authority will provide sufficient cash flow to meet the anticipated cash flow requirements of each entity for the next six months.

Pooled cash and investments book balances are adjusted annually to reflect *fair value* as required by Generally Accepted Accounting Principles. The term *fair value* was formerly known as *market value* and became effective with the mandatory implementation of GASB 31 in fiscal year 1998. The attached investment schedules meet these requirements.

It should be noted that this is an investment portfolio report and does not include bank checking account deposits.

FISCAL IMPACT

There is no fiscal impact from this report. The City and the Housing Authority combined portfolios had total interest earnings of \$534,141.81 during the three month period ending September 30, 2018. In addition, the combined portfolios also had a cumulative *fair value* versus *cost value* unrealized, non-cash loss of approximately \$1,336,072.99 as of September 30, 2018. *Fair value* fluctuates from one period to another depending on the changes in interest rates and the supply and demand for bonds at a particular time. Therefore, there is often a difference between the *cost value* (the value at the time of purchase) and the *fair value* (the market value of the same security at a certain later period) creating an unrealized gain or loss.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	City - Monthly Portfolio Summary Report - 9-30-18
2.	Housing Authority - Monthly Portfolio Summary Report - 9-30-18

CONTACT

Ron Millard, Finance Director, (707) 648-4592

ron.millard@cityofvallejo.net



**City of Vallejo
Portfolio Management
Portfolio Summary
September 30, 2018**

City of Vallejo
555 Santa Clara Street
Vallejo, Vallejo, CA 94590
(707)648-4592

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM
Federal Agency Issues - Coupon	29,365,000.00	28,762,649.15	29,335,586.03	24.17	1,472	792	1.663	1.686
Local Agency Investment Funds	32,870,918.68	32,870,918.68	32,870,918.68	27.09	1	1	2.035	2.063
U.S. Treasury Securities - Coupon	30,360,000.00	29,603,526.65	30,099,668.08	24.80	1,468	756	1.663	1.686
Money Market Accounts	1,757,498.92	1,757,498.92	1,757,498.92	1.45	1	1	1.716	1.740
Corporate Medium Term Notes	17,520,000.00	17,430,963.10	17,622,570.30	14.52	1,080	550	2.187	2.217
Municipal Bonds	1,250,000.00	1,257,985.00	1,295,425.00	1.07	780	239	1.702	1.726
Asset Backed Securities	8,414,579.85	8,339,659.72	8,377,607.20	6.90	1,467	1,066	1.979	1.996
Investments	121,537,997.45	120,023,201.22	121,359,274.21	100.00%	986	535	1.863	1.888

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	153,192.90	530,399.33
Average Daily Balance	120,786,295.86	126,048,430.66
Effective Rate of Return	1.54%	1.67%

I hereby certify that the investments listed in this report conform to the City of Vallejo investment policy and California Government Code and that it provides sufficient cash flow to meet the City's anticipated cash needs for the next six months.


Ron Millard, Finance Director/Treasurer

2018-11-05

Reporting period 09/01/2018-09/30/2018

Run Date: 11/01/2018 - 13:56

Portfolio CITY
CP
PM (PRF_PM1) 7.3.0
Report Ver. 7.3.6.1
133 of 577

**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
3135GOA78	50394	Fed Natl Mtg Assn		02/11/2015	850,000.00	837,904.50	848,368.00	1.625	1.643	1.665	477	01/21/2020
3133EJYF0	50496	Federal Farm Credit Bank		09/24/2018	350,000.00	347,648.00	347,571.00	2.700	2.909	2.949	1,061	08/27/2021
313383HU8	50404	Federal Home Loan Bank		10/09/2015	1,000,000.00	981,940.00	1,013,020.00	1.750	1.441	1.461	620	06/12/2020
3133782M2	50409	Federal Home Loan Bank		02/29/2016	1,000,000.00	996,310.00	1,012,410.00	1.500	1.067	1.082	158	03/08/2019
3130A7CV5	50410	Federal Home Loan Bank		02/18/2016	730,000.00	704,997.50	727,050.80	1.375	1.439	1.459	871	02/18/2021
3130A7CV5	50415	Federal Home Loan Bank		03/31/2016	270,000.00	260,752.50	269,244.00	1.375	1.414	1.434	871	02/18/2021
3130A8DB6	50421	Federal Home Loan Bank		06/22/2016	250,000.00	247,460.00	251,142.50	1.125	0.959	0.972	263	06/21/2019
3130A8DB6	50422	Federal Home Loan Bank		06/24/2016	50,000.00	49,492.00	50,197.00	1.125	0.980	0.993	263	06/21/2019
3130A7CV5	50424	Federal Home Loan Bank		06/29/2016	500,000.00	482,875.00	506,195.00	1.375	1.085	1.100	871	02/18/2021
3130A8QS5	50427	Federal Home Loan Bank		07/26/2016	750,000.00	715,162.50	744,442.50	1.125	1.262	1.279	1,017	07/14/2021
3130A8Y72	50431	Federal Home Loan Bank		08/29/2016	700,000.00	689,934.00	696,794.00	0.875	1.020	1.034	308	08/05/2019
3130A9AE1	50432	Federal Home Loan Bank		08/26/2016	1,200,000.00	1,200,000.00	1,199,184.00	0.875	0.895	0.908	0	10/01/2018
3130A9EP2	50437	Federal Home Loan Bank		09/09/2016	750,000.00	737,850.00	749,347.50	1.000	1.172	1.188	360	09/26/2019
3130A8QS5	50443	Federal Home Loan Bank		09/30/2016	600,000.00	572,130.00	596,244.00	1.125	1.243	1.260	1,017	07/14/2021
313378J77	50462	Federal Home Loan Bank		06/30/2017	500,000.00	493,360.00	503,985.00	1.875	1.551	1.572	529	03/13/2020
313378CR0	50463	Federal Home Loan Bank		06/20/2017	750,000.00	733,027.50	763,230.00	2.250	1.833	1.858	1,257	03/11/2022
3130A66T9	50467	Federal Home Loan Bank		08/17/2017	850,000.00	830,552.00	850,680.00	1.625	1.576	1.598	711	09/11/2020
313379RB7	50468	Federal Home Loan Bank		08/30/2017	900,000.00	876,510.00	907,722.00	1.875	1.617	1.640	984	06/11/2021
3130A66T9	50469	Federal Home Loan Bank		09/20/2017	500,000.00	488,560.00	500,015.00	1.625	1.602	1.624	711	09/11/2020
3130A66T9	50470	Federal Home Loan Bank		09/20/2017	250,000.00	244,280.00	250,007.50	1.625	1.602	1.624	711	09/11/2020
3130AOJR2	50473	Federal Home Loan Bank		12/05/2017	150,000.00	149,400.00	151,444.50	2.375	1.861	1.887	438	12/13/2019
313382AX1	50478	Federal Home Loan Bank		03/26/2018	500,000.00	481,970.00	486,065.00	2.125	2.689	2.727	1,621	03/10/2023
313373ZY1	50483	Federal Home Loan Bank		06/27/2018	325,000.00	331,158.75	333,391.50	3.625	2.673	2.710	984	06/11/2021
313373ZY1	50486	Federal Home Loan Bank		07/11/2018	400,000.00	407,580.00	409,672.00	3.625	3.203	3.248	984	06/11/2021
313373ZY1	50491	Federal Home Loan Bank		08/01/2018	200,000.00	203,790.00	204,234.00	3.625	2.809	2.849	984	06/11/2021
313383QR5	50494	Federal Home Loan Bank		08/29/2018	500,000.00	505,275.00	508,335.00	3.250	2.834	2.873	1,712	06/09/2023
3135GOZG1	50381	Federal National Mortgage Assn		09/25/2014	500,000.00	495,880.00	496,340.00	1.750	1.879	1.905	346	09/12/2019
3135GOZG1	50386	Federal National Mortgage Assn		10/30/2014	400,000.00	396,704.00	401,176.00	1.750	1.664	1.688	346	09/12/2019
3135GOF73	50406	Federal National Mortgage Assn		12/07/2015	1,000,000.00	971,900.00	982,300.00	1.500	1.836	1.861	791	11/30/2020
3135GOJ53	50413	Federal National Mortgage Assn		03/03/2016	275,000.00	273,550.75	274,511.33	1.000	1.046	1.061	148	02/26/2019
3135GOJ20	50417	Federal National Mortgage Assn		04/21/2016	850,000.00	820,590.00	850,501.50	1.375	1.344	1.362	879	02/26/2021
3135GOJ20	50425	Federal National Mortgage Assn		06/30/2016	500,000.00	482,700.00	506,005.00	1.375	1.095	1.110	879	02/26/2021
3135GON33	50433	Federal National Mortgage Assn		08/02/2016	900,000.00	887,373.00	898,488.00	0.875	0.919	0.932	305	08/02/2019
3135GOP49	50438	Federal National Mortgage Assn		09/02/2016	500,000.00	492,795.00	499,220.00	1.000	1.045	1.059	331	08/28/2019
3135GOP49	50442	Federal National Mortgage Assn		09/30/2016	460,000.00	453,371.40	460,395.60	1.000	0.962	0.975	331	08/28/2019
3135GOQ89	50446	Federal National Mortgage Assn		10/07/2016	450,000.00	429,907.50	448,407.90	1.375	1.429	1.449	1,102	10/07/2021

Portfolio CITY
CP

PM (PRF_PM2) 7.3.0

**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
3135GOT29	50450	Federal National Mortgage Assn		03/01/2017	160,000.00	157,264.00	159,766.40	1.500	1.529	1.550	515	02/28/2020
3135GOVY6	50451	Federal National Mortgage Assn		03/30/2017	500,000.00	492,385.00	501,255.00	1.700	1.592	1.614	543	03/27/2020
3135GOT45	50461	Federal National Mortgage Assn		05/08/2017	1,000,000.00	964,670.00	994,500.00	1.875	1.966	1.993	1,282	04/05/2022
3135GOT94	50479	Federal National Mortgage Assn		03/19/2018	700,000.00	682,409.00	688,751.00	2.375	2.694	2.732	1,571	01/19/2023
3135GOT94	50481	Federal National Mortgage Assn		04/26/2018	300,000.00	292,461.00	293,076.00	2.375	2.860	2.900	1,571	01/19/2023
3135GOT78	50485	Federal National Mortgage Assn		06/11/2018	1,000,000.00	961,940.00	966,950.00	2.000	2.780	2.818	1,465	10/05/2022
3135GOU43	50497	Federal National Mortgage Assn		09/14/2018	645,000.00	639,549.75	642,355.50	2.875	2.923	2.964	1,807	09/12/2023
3137EADG1	50377	Federal Home Loan Mtg. Corp.		08/19/2014	1,000,000.00	995,010.00	1,005,160.00	1.750	1.616	1.638	241	05/30/2019
3137EADG1	50393	Federal Home Loan Mtg. Corp.		02/11/2015	250,000.00	248,752.50	252,527.50	1.750	1.489	1.510	241	05/30/2019
3137EADZ9	50412	Federal Home Loan Mtg. Corp.		03/31/2016	400,000.00	397,172.00	401,480.00	1.125	0.987	1.001	196	04/15/2019
3137EAEC9	50435	Federal Home Loan Mtg. Corp.		08/17/2016	1,000,000.00	951,650.00	990,380.00	1.125	1.307	1.325	1,046	08/12/2021
3137EAEC9	50444	Federal Home Loan Mtg. Corp.		09/30/2016	500,000.00	475,825.00	495,790.00	1.125	1.286	1.304	1,046	08/12/2021
3137EAEK1	50472	Federal Home Loan Mtg. Corp.		11/29/2017	750,000.00	735,015.00	749,167.50	1.875	1.887	1.914	778	11/17/2020
3137EAEN5	50487	Federal Home Loan Mtg. Corp.		07/17/2018	500,000.00	493,855.00	497,090.00	2.750	2.838	2.877	1,722	06/19/2023
Subtotal and Average			29,552,231.91		29,365,000.00	28,762,649.15	29,335,586.03		1.663	1.686	792	
Local Agency Investment Funds												
44740	04001	LAIF City of Vallejo			32,870,918.68	32,870,918.68	32,870,918.68	2.063	2.035	2.063	1	
Subtotal and Average			32,870,918.68		32,870,918.68	32,870,918.68	32,870,918.68		2.035	2.063	1	
U.S. Treasury Securities - Coupon												
912828C24	5186	U.S. Treasury Notes		03/19/2014	825,000.00	822,038.25	823,133.63	1.500	1.526	1.548	150	02/28/2019
912828D23	5189	U.S. Treasury Notes		05/30/2014	400,000.00	398,092.00	402,954.47	1.625	1.449	1.469	211	04/30/2019
912828D23	5194	U.S. Treasury Notes		06/09/2014	200,000.00	199,046.00	200,086.61	1.625	1.594	1.616	211	04/30/2019
912828D80	5197	U.S. Treasury Notes		09/10/2014	475,000.00	470,677.50	471,977.18	1.625	1.735	1.759	334	08/31/2019
912828G61	5202	U.S. Treasury Notes		12/12/2014	475,000.00	468,487.75	472,756.47	1.500	1.577	1.599	425	11/30/2019
912828J50	5204	U.S. Treasury Notes		04/24/2015	475,000.00	465,946.50	474,853.15	1.375	1.363	1.382	516	02/29/2020
912828K58	5208	U.S. Treasury Notes		05/07/2015	525,000.00	513,618.00	520,551.56	1.375	1.531	1.552	577	04/30/2020
912828XE5	5210	U.S. Treasury Notes		06/05/2015	500,000.00	489,530.00	495,861.05	1.500	1.651	1.674	608	05/31/2020
912828XE5	5211	U.S. Treasury Notes		06/18/2015	300,000.00	293,718.00	297,446.32	1.500	1.657	1.680	608	05/31/2020
912828XM7	5215	U.S. Treasury Notes		08/28/2015	500,000.00	489,415.00	502,521.21	1.625	1.497	1.518	669	07/31/2020
912828XM7	5218	U.S. Treasury Notes		09/09/2015	500,000.00	489,415.00	502,540.74	1.625	1.496	1.517	669	07/31/2020
912828L81	5220	U.S. Treasury Notes		10/26/2015	900,000.00	899,604.00	898,417.97	0.875	0.922	0.935	14	10/15/2018
912828L81	5221	U.S. Treasury Notes		10/30/2015	720,000.00	719,683.20	716,765.63	0.875	1.015	1.029	14	10/15/2018
912828M64	5222	U.S. Treasury Notes		11/30/2015	300,000.00	299,685.00	300,210.94	1.250	0.962	0.976	45	11/15/2018
912828L99	5223	U.S. Treasury Notes		11/05/2015	525,000.00	509,559.75	518,480.27	1.375	1.489	1.509	761	10/31/2020

Portfolio CITY
CP
PM (PRF_PM2) 7.3.0

**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
U.S. Treasury Securities - Coupon												
912828L99	5227	U.S. Treasury Notes		12/23/2015	475,000.00	461,030.25	467,987.92	1.375	1.545	1.567	761	10/31/2020
912828N63	5228	U.S. Treasury Notes		01/22/2016	850,000.00	847,229.00	851,560.55	1.125	1.171	1.187	106	01/15/2019
912828N89	5229	U.S. Treasury Notes		02/24/2016	500,000.00	483,340.00	503,146.21	1.375	1.225	1.242	853	01/31/2021
912828P95	5230	U.S. Treasury Notes		03/18/2016	435,000.00	432,246.45	434,201.37	1.000	1.048	1.063	165	03/15/2019
912828N89	5231	U.S. Treasury Notes		03/16/2016	500,000.00	483,340.00	497,208.71	1.375	1.473	1.493	853	01/31/2021
912828R85	5236	U.S. Treasury Notes		06/30/2016	400,000.00	395,408.00	401,984.38	0.875	0.819	0.830	257	06/15/2019
912828S43	5237	U.S. Treasury Notes		07/27/2016	140,000.00	138,037.20	139,535.16	0.750	0.852	0.864	287	07/15/2019
912828R85	5238	U.S. Treasury Notes		07/12/2016	515,000.00	509,087.80	516,750.20	0.875	0.870	0.882	257	06/15/2019
912828T59	5239	U.S. Treasury Notes		10/31/2016	920,000.00	904,295.60	919,101.56	1.000	1.019	1.034	379	10/15/2019
912828T34	5240	U.S. Treasury Notes		11/10/2016	650,000.00	617,298.50	639,211.16	1.125	1.458	1.478	1,095	09/30/2021
912828T34	5241	U.S. Treasury Notes		11/16/2016	350,000.00	332,391.50	340,786.33	1.125	1.667	1.690	1,095	09/30/2021
912828U32	5242	U.S. Treasury Notes		12/01/2016	1,200,000.00	1,177,644.00	1,186,828.13	1.000	1.361	1.380	410	11/15/2019
912828T67	5244	U.S. Treasury Notes		12/13/2016	800,000.00	761,472.00	774,971.43	1.250	1.898	1.924	1,126	10/31/2021
912828U65	5245	U.S. Treasury Notes		12/29/2016	500,000.00	482,695.00	492,892.30	1.750	2.027	2.055	1,156	11/30/2021
912828SD3	5246	U.S. Treasury Notes		01/09/2017	700,000.00	697,522.00	700,054.69	1.250	1.229	1.246	122	01/31/2019
912828U73	5247	U.S. Treasury Notes		01/09/2017	775,000.00	762,832.50	772,547.85	1.375	1.465	1.486	440	12/15/2019
912828KD1	5248	U.S. Treasury Notes		01/19/2017	110,000.00	110,150.70	113,433.20	2.750	1.204	1.221	137	02/15/2019
912828W22	5249	U.S. Treasury Notes		02/28/2017	750,000.00	736,200.00	748,154.30	1.375	1.564	1.585	502	02/15/2020
912828V72	5250	U.S. Treasury Notes		02/28/2017	900,000.00	870,579.00	901,444.42	1.875	1.815	1.841	1,218	01/31/2022
912828J43	5251	U.S. Treasury Notes		03/24/2017	1,000,000.00	962,580.00	989,651.79	1.750	1.944	1.971	1,246	02/28/2022
912828K58	5252	U.S. Treasury Notes		04/28/2017	700,000.00	684,824.00	697,539.06	1.375	1.475	1.495	577	04/30/2020
912828J43	5253	U.S. Treasury Notes		04/28/2017	500,000.00	481,290.00	497,872.77	1.750	1.817	1.842	1,246	02/28/2022
912828X96	5254	U.S. Treasury Notes		05/31/2017	1,025,000.00	1,004,223.25	1,026,641.60	1.500	1.425	1.444	592	05/15/2020
912828XW5	5255	U.S. Treasury Notes		07/26/2017	1,000,000.00	958,790.00	994,690.85	1.750	1.838	1.863	1,368	06/30/2022
912828L24	5256	U.S. Treasury Notes		09/28/2017	550,000.00	528,621.50	548,884.66	1.875	1.769	1.793	1,430	08/31/2022
912828L57	5257	U.S. Treasury Notes		10/06/2017	750,000.00	716,692.50	742,353.52	1.750	1.939	1.966	1,460	09/30/2022
912828M49	5258	U.S. Treasury Notes		11/29/2017	750,000.00	719,617.50	744,023.44	1.875	2.018	2.046	1,491	10/31/2022
912828L57	5259	U.S. Treasury Notes		12/29/2017	650,000.00	621,133.50	636,619.14	1.750	2.178	2.208	1,460	09/30/2022
912828M49	5260	U.S. Treasury Notes		01/31/2018	750,000.00	719,617.50	730,019.53	1.875	2.439	2.473	1,491	10/31/2022
9128284B3	5261	U.S. Treasury Notes		03/16/2018	175,000.00	173,010.25	174,747.07	2.375	2.392	2.425	896	03/15/2021
9128284B3	5262	U.S. Treasury Notes		03/21/2018	100,000.00	98,863.00	99,691.41	2.375	2.449	2.483	896	03/15/2021
912828P38	5263	U.S. Treasury Notes		05/31/2018	1,000,000.00	951,680.00	961,601.56	1.750	2.593	2.629	1,583	01/31/2023
9128284T4	5264	U.S. Treasury Notes		06/19/2018	720,000.00	715,219.20	719,015.63	2.625	2.636	2.673	988	06/15/2021
9128282F6	5265	U.S. Treasury Notes		09/19/2018	950,000.00	903,469.00	903,427.73	1.125	2.832	2.871	1,065	08/31/2021
912828L32	5266	U.S. Treasury Notes		09/19/2018	650,000.00	632,580.00	632,531.25	1.375	2.764	2.802	700	08/31/2020
Subtotal and Average			29,762,679.28		30,360,000.00	29,603,526.65	30,099,668.08		1.663	1.686	756	

Portfolio CITY
CP
PM (PRF_PM2) 7.3.0

**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Money Market Accounts												
SYS10014	10014	Wells Fargo & Company			86,159.73	86,159.73	86,159.73	1.740	1.716	1.740	1	
SYS10016	10016	Wells Fargo & Company			1,671,339.19	1,671,339.19	1,671,339.19	1.740	1.716	1.740	1	
Subtotal and Average			1,264,896.39		1,757,498.92	1,757,498.92	1,757,498.92		1.716	1.740	1	
Corporate Medium Term Notes												
02665WAC5	15342	American Honda Finance		02/01/2016	685,000.00	684,910.95	693,000.80	2.125	1.656	1.679	9	10/10/2018
037833CK4	15358	Apple, Inc.		04/28/2017	700,000.00	691,747.00	703,640.00	1.900	1.684	1.707	494	02/07/2020
037833DC1	15362	Apple, Inc.		09/14/2017	625,000.00	598,675.00	621,206.25	2.100	2.199	2.229	1,442	09/12/2022
06051GEE5	15379	Bank of America Corp.		07/27/2018	600,000.00	633,378.00	635,442.00	5.875	3.282	3.328	827	01/05/2021
07330NAL9	15346	Branch Banking & Trust		05/16/2016	750,000.00	744,810.00	749,250.00	1.450	1.464	1.484	221	05/10/2019
084670BL1	15331	Berkshire Hathaway		07/20/2015	525,000.00	522,322.50	526,958.25	2.100	1.976	2.004	317	08/14/2019
084664CG4	15343	Berkshire Hathaway		03/15/2016	350,000.00	348,796.00	349,734.00	1.700	1.702	1.726	165	03/15/2019
084664CK5	15353	Berkshire Hathaway		08/15/2016	250,000.00	246,985.00	249,757.50	1.300	1.315	1.333	318	08/15/2019
084664CG4	15360	Berkshire Hathaway		06/12/2017	40,000.00	39,862.40	40,150.40	1.700	1.462	1.482	165	03/15/2019
09247XAE1	15373	Blackrock Inc.		06/08/2018	500,000.00	512,580.00	516,025.00	5.000	2.772	2.811	435	12/10/2019
06406HDD8	15366	Bank of NY Mellon Corp		12/06/2017	700,000.00	694,477.00	707,049.00	2.600	2.182	2.213	686	08/17/2020
166764AN0	15319	Chevron Corporation		11/24/2014	525,000.00	521,262.00	526,459.50	2.193	2.105	2.134	410	11/15/2019
166764BG4	15352	Chevron Corporation		05/25/2016	550,000.00	536,486.50	546,777.00	2.100	2.195	2.225	958	05/16/2021
166764AR1	15367	Chevron Corporation		01/17/2018	725,000.00	715,691.00	720,737.00	1.961	2.214	2.245	519	03/03/2020
17325FAA6	15357	Citibank NA		03/20/2017	650,000.00	648,251.50	649,467.00	2.000	2.014	2.042	170	03/20/2019
30231GAP7	15344	Exxon Mobile Corp		03/03/2016	725,000.00	722,709.00	725,000.00	1.708	1.685	1.708	151	03/01/2019
30231GAV4	15355	Exxon Mobile Corp		01/17/2017	500,000.00	490,065.00	500,885.00	2.222	2.147	2.177	882	03/01/2021
369550BA5	15381	General Dynamics		09/14/2018	250,000.00	249,395.00	249,620.00	2.875	2.928	2.968	588	05/11/2020
36962G2T0	15359	General Electric Cap Corp.		05/18/2017	600,000.00	621,594.00	664,026.00	5.550	1.806	1.831	581	05/04/2020
38148PP84	15374	Goldman Sachs Bank		06/08/2018	700,000.00	702,345.00	701,155.00	3.200	3.071	3.114	613	06/05/2020
40428HPR7	15380	HSBC USA, Inc.		07/27/2018	200,000.00	197,808.00	197,690.00	2.350	3.050	3.092	521	03/05/2020
24422ETS8	15361	John Deere Capital Corp.		09/21/2017	500,000.00	491,125.00	501,835.00	1.950	1.787	1.812	630	06/22/2020
24422ETS8	15371	John Deere Capital Corp.		05/23/2018	125,000.00	122,781.25	122,390.00	1.950	2.951	2.992	630	06/22/2020
46625HQU7	15347	JP Morgan Chase & Co		05/11/2016	700,000.00	697,438.00	704,970.00	1.850	1.573	1.595	172	03/22/2019
594918BG8	15337	Microsoft Corp.		11/03/2015	220,000.00	216,106.00	219,824.00	2.000	1.989	2.017	764	11/03/2020
594918BG8	15338	Microsoft Corp.		11/10/2015	325,000.00	319,247.50	324,525.50	2.000	2.003	2.031	764	11/03/2020
69371RM29	15368	Paccar Financial Corp		02/28/2018	600,000.00	596,718.00	597,174.00	2.200	2.477	2.512	349	09/15/2019
69353RFH6	15369	PNC Bank NA		02/09/2018	600,000.00	589,314.00	596,712.00	2.500	2.657	2.694	844	01/22/2021
89236TDU6	15370	Toyota Motor Credit		03/16/2018	650,000.00	640,185.00	640,451.50	1.950	2.642	2.678	564	04/17/2020
90520EAF8	15364	Union Bank NA		11/08/2017	650,000.00	648,199.50	652,254.20	2.250	1.986	2.013	217	05/06/2019
90331HMY6	15345	US Bank N.A.		04/26/2016	700,000.00	695,198.00	698,054.00	1.400	1.475	1.495	207	04/26/2019

Portfolio CITY
CP
PM (PRF_PM2) 7.3.0

**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Corporate Medium Term Notes												
92826CAB8	15372	Visa, Inc.		05/17/2018	100,000.00	98,270.00	98,294.00	2.200	2.852	2.892	805	12/14/2020
92826CAB8	15375	Visa, Inc.		06/15/2018	600,000.00	589,620.00	590,646.00	2.200	2.815	2.854	805	12/14/2020
931142EK5	15376	Walmart Inc.		06/27/2018	190,000.00	190,826.50	189,948.70	3.400	3.359	3.406	1,729	06/26/2023
931142EK5	15377	Walmart Inc.		06/27/2018	190,000.00	190,826.50	189,952.50	3.400	3.359	3.405	1,729	06/26/2023
931142EK5	15378	Walmart Inc.		06/29/2018	220,000.00	220,957.00	221,509.20	3.400	3.205	3.250	1,729	06/26/2023
Subtotal and Average			17,514,401.63		17,520,000.00	17,430,963.10	17,622,570.30		2.187	2.217	550	
Municipal Bonds												
13063DAB4	50459	California State		04/27/2017	750,000.00	745,890.00	750,000.00	1.593	1.571	1.593	182	04/01/2019
797398DH4	50454	San Diego County CA		03/13/2017	500,000.00	512,095.00	545,425.00	5.765	1.882	1.908	318	08/15/2019
Subtotal and Average			1,295,425.00		1,250,000.00	1,257,985.00	1,295,425.00		1.702	1.726	239	
Asset Backed Securities												
02587AAJ3	50475	American Express Credit		02/07/2018	270,000.00	266,257.80	267,553.13	1.950	2.128	2.158	1,445	09/15/2022
02587AAJ3	50476	American Express Credit		02/09/2018	110,000.00	108,475.40	109,003.13	1.950	2.128	2.157	1,445	09/15/2022
02582JHE3	50484	American Express Credit		06/29/2018	400,000.00	392,612.00	392,250.00	1.770	1.649	1.672	1,506	11/15/2022
05582QAD9	50426	BMW Vehicle Owner Trust		07/20/2016	316,007.81	313,843.16	316,006.39	1.160	1.160	1.176	786	11/25/2020
14041NFB9	50480	Capital One Multi-Asset		04/19/2018	800,000.00	790,528.00	788,750.00	1.820	2.128	2.157	1,445	09/15/2022
161571HE7	50489	Chase Issuance Trust		08/03/2018	304,000.00	295,755.52	295,355.00	1.490	2.225	2.256	1,383	07/15/2022
17305EFW0	50448	Citibank Credit Card		12/08/2016	700,000.00	691,061.00	699,962.48	1.750	1.727	1.751	1,145	11/19/2021
17305EGK5	50490	Citibank Credit Card		08/22/2018	150,000.00	147,927.00	148,500.00	2.490	2.695	2.732	1,572	01/20/2023
41284DAC6	50423	Harley-Davidson Motorcycle		06/15/2016	329,156.65	327,494.41	329,132.59	1.810	1.812	1.837	837	01/15/2021
43814QAC2	50419	Honda Auto Receivables Owner		05/31/2016	94,748.39	94,378.87	94,746.55	1.390	1.391	1.410	562	04/15/2020
43814TAC6	50452	Honda Auto Receivables Owner		03/28/2017	599,176.25	593,909.49	599,140.60	1.720	1.699	1.723	1,024	07/21/2021
43814PAB6	50471	Honda Auto Receivables Owner		09/29/2017	65,403.94	65,222.77	65,398.13	1.570	1.574	1.596	477	01/21/2020
43814UAG4	50482	Honda Auto Receivables Owner		05/30/2018	170,000.00	169,811.30	169,996.29	3.010	3.011	3.052	1,325	05/18/2022
43814UAC3	50492	Honda Auto Receivables Owner		08/22/2018	250,000.00	248,232.50	249,082.03	2.640	2.718	2.756	1,233	02/15/2022
43815HAC1	50495	Honda Auto Receivables Owner		08/28/2018	375,000.00	373,766.25	374,948.55	2.950	2.917	2.957	1,421	08/22/2022
47788MAC4	50416	John Deere Owner Trust		03/02/2016	110,286.84	109,931.72	110,269.48	1.360	1.364	1.383	562	04/15/2020
47787XAB3	50457	John Deere Owner Trust		03/02/2017	26,673.10	26,654.16	26,672.99	1.500	1.500	1.521	379	10/15/2019
47788BAB0	50464	John Deere Owner Trust		07/18/2017	57,018.88	56,869.49	57,013.93	1.590	1.574	1.595	562	04/15/2020
47788BAD6	50465	John Deere Owner Trust		07/18/2017	90,000.00	88,767.00	89,993.41	1.820	1.800	1.825	1,110	10/15/2021
47788CAC6	50477	John Deere Owner Trust		02/28/2018	140,000.00	138,973.80	139,989.93	2.660	2.631	2.668	1,295	04/18/2022
58769DAD2	50460	Mercedes-Benz Auto		04/26/2017	700,000.00	697,130.00	699,984.04	1.790	1.768	1.792	562	04/15/2020
654747AB0	50458	Nissan Auto Receivables Owner		03/28/2017	46,163.62	46,103.61	46,163.39	1.470	1.470	1.491	471	01/15/2020
65479GAD1	50488	Nissan Auto Receivables Owner		07/25/2018	335,000.00	333,984.95	334,989.15	3.060	3.061	3.103	1,626	03/15/2023

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**City of Vallejo
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Asset Backed Securities												
654747AD6	50493	Nissan Auto Receivables Owner		08/03/2018	245,000.00	242,131.05	241,994.92	1.740	2.130	2.160	1,050	08/16/2021
65477XAD6	50440	Nissan Auto Lse Trust		09/22/2016	125,437.72	125,309.77	125,427.32	1.500	1.503	1.524	287	07/15/2019
83191GAD1	50445	Smart Trust		10/14/2016	600,000.00	593,479.80	599,875.44	1.710	1.750	1.774	896	03/15/2021
89237WAD9	50434	Toyota Auto Receivables		08/10/2016	172,630.14	171,475.24	172,625.51	1.140	1.127	1.142	686	08/17/2020
89238MAD0	50455	Toyota Auto Receivables		03/15/2017	200,000.00	198,584.00	199,976.46	1.730	1.733	1.757	869	02/16/2021
89238BAB8	50474	Toyota Auto Receivables		01/31/2018	545,000.00	543,375.90	544,944.30	2.100	2.104	2.133	745	10/15/2020
90327CAC4	50441	USAA Auto Owner Trust		09/21/2016	87,876.51	87,613.76	87,862.06	1.200	1.204	1.221	623	06/15/2020
		Subtotal and Average	8,525,742.96		8,414,579.85	8,339,659.72	8,377,607.20		1.979	2.006	1,066	
		Total and Average	120,786,295.86		121,537,997.45	120,023,201.22	121,359,274.21		1.863	1.889	535	

**City of Vallejo
Portfolio Management
Portfolio Details - Cash
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity
Average Balance			0.00								0
Total Cash and Investments			120,786,295.86		121,537,997.45	120,023,201.22	121,359,274.21		1.863	1.889	535



**Vallejo Housing Authority
Portfolio Management
Portfolio Summary
September 30, 2018**

City of Vallejo
555 Santa Clara Street
Vallejo, Vallejo, CA 94590
(707)648-4592

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Local Agency Investment Fund	768,321.22	768,321.22	768,321.22	100.00	1	1	2.035	2.063
Investments	768,321.22	768,321.22	768,321.22	100.00%	1	1	2.035	2.063

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	1,263.10	3,742.48
Average Daily Balance	768,321.22	767,887.56
Effective Rate of Return	2.00%	1.93%

I hereby certify that the investments listed in this report conform to the City of Vallejo Housing Authority investment policy and California Government Code and that it provides sufficient cashflow to meet the Housing Authority's anticipated cash needs for the next six months.

Ron Millard 2018-11-05
Ron Millard, Finance Director/Treasurer

Reporting period 09/01/2018-09/30/2018

Run Date: 11/01/2018 - 14:12

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141 of 577

**Vallejo Housing Authority
Portfolio Management
Portfolio Details - Investments
September 30, 2018**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Local Agency Investment Fund												
LAIF	10000	Local Agency Investment Fund			768,321.22	768,321.22	768,321.22	2.063	2.035	2.063	1	
		Subtotal and Average	768,321.22		768,321.22	768,321.22	768,321.22		2.035	2.063	1	
		Total and Average	768,321.22		768,321.22	768,321.22	768,321.22		2.035	2.063	1	



DATE: December 18, 2018
TO: Mayor and Members of the City Council
FROM: Will Morat, Assistant to the City Manager
SUBJECT: **SERVICE AGREEMENT WITH VALLEJO CONVENTION AND VISITORS BUREAU**

RECOMMENDATION

Authorize the City Manager to execute a service agreement with the Vallejo Convention and Visitors Bureau (VVCVB) for marketing services for a three year term, with an option to extend yearly, not to exceed five years.

REASONS FOR RECOMMENDATION

The purpose of the Vallejo Convention and Visitors Bureau is to develop and promote the greater Vallejo area and its amenities as an overnight destination, contribute to the area's economic growth, and to enhance the area's public image as a desirable visitor destination. There is no other organization within the City of Vallejo that has this charge.

There is no amount to exceed as this is a pass-through assessment from Solano County to Visit Vallejo to manage the Vallejo Tourism Business Improvement District (VTBID or District).

BACKGROUND AND DISCUSSION

In 2003 the Vallejo Convention and Visitors Bureau, (Visit Vallejo), approached the City to establish a Vallejo Tourism Business Improvement District which would allow hotels to assess themselves to pay for improvements and activities within the defined improvement district. On January 6, 2004, the City Council adopted Ordinance No. 1522 N.C. (2) establishing Chapter 14.50 of the Vallejo Municipal Code, Vallejo Tourism Business Improvement District (VTBID or District) to levy and collect assessments within the District. There is not a sunset date for this District. On February 1, 2004, the assessment was levied on all hotels (lodging facilities) within the City of Vallejo based upon a flat fee of \$1.00 per occupied room per night for hotel with more than 40 rooms and \$0.50 per occupied room per night for hotels with 40 or less rooms. On April 6, 2004, the City Council adopted Resolution No. N.C. 04-123 appointing members of the VTBID Advisory Board to make a recommendation to the City Council on the expenditures of revenues derived from the levy assessment. As a means to implement the marketing programs, projects, and activities that benefit the hotels within the City of Vallejo, a Service Agreement was negotiated with the Vallejo Conventions and Visitors Bureau.

Due to the reduced General Fund allocation to the VVCVB in FY 2007-08 when the City stopped providing the VVCVB a percentage of the Transient Occupancy Tax, the VVCVB requested that the assessments in the VTBID be increased to augment their budget for the development of programs and promotions that encourage an extended length of stay in Vallejo and promote the City as an overnight destination choice. On June 27, 2007, the VTBID Advisory Board voted to recommend an increase in the VTBID assessments to a flat fee of \$2.00 per occupied room per night for hotels with more than 40 rooms and \$1.00 per occupied room per night for

hotels with 40 or less rooms and voted to support the expenditures of revenues. On October 9, 2007, the City Council adopted Resolution No. N.C. 07-271 approving the increase in assessment.

Staff is recommending the term of the agreement be for three years with two-one year extensions. Similar to the collection of the Transit Occupancy Tax (TOT), the VT BID assessment is a pass-through from Solano County to the Visit Vallejo to manage the VT BID.

FISCAL IMPACT

The incremental cost to administer this assessment is negligible to the General Fund since the City also collects the assessments for the Transient Occupancy Tax (TOT). It is estimated that approximately \$401,500 will be collected through the assessment from the lodging facilities by the City of Vallejo Finance Department for FY 2018-19. This amount is a reduction from past years due to two facilities being closed for renovations. Estimated assessment for FY 2019-20 is approximately \$490,000 and estimated assessment for for FY 2020-21 is approximately \$500,000, based on previous years' trends.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	Visit Vallejo - Consultant Professional Services Agreement - VT BID - 102918 SE - Stamped
2.	Visit Vallejo - Copy of 18-19 VisitVallejo Budget Forecast 11-5-18
3.	Visit Vallejo - Copy of BID Revenue 18-19 Estimate 11-6-18
4.	Visit Vallejo - Copy of TOT BID Funding History 2018 - REV
5.	Visit Vallejo - 18-19 VT BID Marketing Plan 11-5-18 - REV

CONTACT

Annette Taylor, Senior Community Development Analyst (707) 649-3510

annette.taylor@cityofvallejo.net


CONSULTANT AND PROFESSIONAL SERVICES AGREEMENT

This Consultant and Professional Services Agreement ("Agreement") is made at Vallejo, California, dated for reference this ____ day of December, 2018, by and between the City of Vallejo, a municipal corporation ("City"), and Visit Vallejo (aka Vallejo Convention & Visitors Bureau), a 501C6 Not for Profit, hereinafter referred to as "Consultant", who agree as follows:

- 1. Services.** Subject to the terms and conditions set forth in this Agreement, Consultant shall provide the City professional services as specified in Exhibit A, entitled "Scope of Work."
- 2. Payment.** City shall pay Consultant for services rendered pursuant to this Agreement at the times and in the manner set forth in Exhibit B, entitled "Compensation." The payments specified in Exhibit B shall be the only payments to be made to Consultant for services rendered pursuant to this Agreement.
- 3. Facilities and Equipment.** Consultant shall, at its sole cost and expense, furnish all facilities and equipment which may be required for furnishing services pursuant to this Agreement.
- 4. Indemnification.** Consultant shall indemnify, hold harmless, and defend City, its officers, officials, directors, employees, agents, volunteers and affiliates and each of them from any and all claims, demands, causes of action, damages, costs, expenses, actual attorney's fees, consultant's fees, expert fees, losses or liability, in law or in equity, of every kind and nature whatsoever arising out of or in connection with Consultant's operations, or any subcontractor's operations, to be performed under this agreement for Consultant's or subcontractor's tort negligence including active or passive, or strict negligence, including but not limited to personal injury including, but not limited to bodily injury, emotional injury, sickness or disease, or death to persons and/or damage to property of anyone, including loss of use thereof, caused or alleged to be caused by any act or omission of Consultant, or any subcontractor, or anyone directly or indirectly employed by any of them or anyone for the full period of time allowed by the law, regardless to any limitation by insurance, with the exception of the sole negligence or willful misconduct of the City.

The provisions of this section shall survive the expiration or termination of this Agreement.

Approved as to form:

By:  for
Claudia Quintana
City Attorney

5. Insurance Requirements. Consultant agrees to comply with all of the Insurance Requirements set forth in Exhibit C, entitled “Insurance Requirements for Consultant.” Failure to maintain required insurance at all times shall constitute a default and material breach.

6. Accident Reports. Consultant shall immediately report (as soon as feasible, but not more than 24 hours) to the City Risk Manager any accident or other occurrence causing injury to persons or property during the performance of this Agreement. The report shall be made in writing and shall include, at a minimum: (a) the names, addresses, and telephone numbers of the persons involved, (b) the names, addresses, and telephone numbers of any known witnesses, (c) the date, time, and description of the accident or other occurrence.

7. Conflict of Interest. Consultant warrants and represents that to the best of its knowledge, there exists no actual or potential conflict between Consultant’s family, business, real property or financial interests and the services to be provided under this Agreement. Consultant shall comply with the City of Vallejo Conflict of Interest Code and not enter into any contract or agreement during the performance of this Agreement which will create a conflict of interest with its duties to City under this Agreement. In the event of a change in Consultant’s family, business, real property, or financial interests occurs during the term of this Agreement that creates an actual or potential conflict of interest, then Consultant shall disclose such conflict in writing to City. Every individual who performs services on behalf of Consultant pursuant to this Agreement must file a full Statement of Economic Interests (also known as Form 700) with the City Clerk if the work of the individual involves making a governmental decision whether to issue, deny, suspend, or revoke any permit, license, application, certificate, approval, order, or similar authorization or entitlement; authorizes the City to enter into, modify, or renew a contract; grants City approval of specifications for a contract; adopts or approves for the City any policy, standard or guideline; lobbies on behalf of the City, or performs the same or substantially all the same duties for the City that would otherwise be performed by an individual holding a position specified in the City’s Conflict of Interest Code.

8. Independent Contractor. Consultant is an independent contractor. Neither Consultant nor any of Consultant’s officers, employees, agents, or subcontractors, if any, is an employee of City by virtue of this Agreement or performance of any services pursuant to this Agreement. City shall have the right to control Consultant only insofar as the results of Consultant’s services rendered pursuant to this Agreement; however, City shall not have the right to control the means by which Consultant accomplishes services pursuant to this Agreement.

9. Licences, Permits, Etc. Consultant represents and warrants to City that all consultant services shall be provided by a person or persons duly licensed by the State of California to provide the type of services to be performed under this Agreement and that Consultant has all the permits, qualifications and approvals of

whatsoever nature which are legally required for Consultant to practice its profession. Consultant represents and warrants to City that it shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement any licenses, permits, and approvals which are legally required for Consultant to practice its profession.

10. Business License. Consultant, and its subcontractors, has obtained or agrees to apply prior to performing any services under this Agreement to City's Finance Department for a business license, pay the applicable business license tax and maintain said business license during the term of this Agreement. The failure to obtain such license shall be a material breach of this Agreement and grounds for termination by City. No payments shall be made to Consultant until such business license(s) has been obtained.

11. Standard of Performance. Consultant shall provide products and perform all services required pursuant to this Agreement in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised under similar conditions by a member of Consultant's profession currently practicing in California.

Consultant is responsible for making an independent evaluation and judgment of all conditions affecting performance of the work, including without limitation applicable federal, state, and local laws and regulations, and all other contingencies or considerations.

Consultant's responsibilities under this section shall not be delegated. Consultant shall be responsible to City for acts, errors, or omissions of Consultant's subcontractors.

Consultant is responsible for making an independent evaluation and judgment of all conditions affecting performance of the work and shall prepare plans, reports, and/or other work products in such a way that additional costs will not be incurred beyond a project budget approved or amended by the City Manager or his or her designee.

Whenever the scope of work requires or permits review, approval, conditional approval or disapproval by City, it is understood that such review, approval, conditional approval or disapproval is solely for the purposes of administering this Agreement and determining whether the Consultant is entitled to payment for such work, and not be construed as a waiver of any breach or acceptance by the City of any responsibility, professional or otherwise, for the work, and shall not relieve the Consultant of responsibility for complying with the standard of performance or laws, regulations, industry standards, or from liability for damages caused by negligent acts, errors, omissions, noncompliance with industry standards, or the willful misconduct of Consultant.

12. Force Majeure. Neither party shall be considered in default of this Agreement to the extent performances are prevented or delayed by causes or circumstances beyond either party's reasonable control, such as war, riots, strikes, lockouts, work slowdown or stoppage, acts of God, such as floods or earthquakes, and electrical blackouts or brownouts.

In the event that the Consultant is unable to meet the completion date or schedule of services, Consultant shall immediately inform the City Representative of this in writing. If additional time is required to perform the work, the City Representative may adjust the schedule.

13. Time is of the Essence. Time is of the essence in this Agreement. Any reference to days means calendar days, unless otherwise specifically stated.

14. Personnel. Consultant agrees to assign only competent personnel according to the reasonable and customary standards of training and experience in the relevant field to perform services under this Agreement. Failure to assign such competent personnel shall constitute grounds for termination of this Agreement.

The payment made to Consultant pursuant to this Agreement shall be the full and complete compensation to which Consultant and Consultant's officers, employees, agents, and subcontractors are entitled for performance of any work under this Agreement. Neither Consultant nor Consultant's officers or employees are entitled to any salary or wages, or retirement, health, leave or other fringe benefits applicable to employees of the City. The City will not make any federal or state tax withholdings on behalf of Consultant. The City shall not be required to pay any workers' compensation insurance on behalf of Consultant.

Consultant shall pay, when and as due, any and all taxes incurred as a result of Consultant's compensation hereunder, including estimated taxes, and shall provide City with proof of such payments upon request.

15. Consultant Not Agent. Except as authorized under this Agreement or as City may authorize in a letter of authorization signed by the City Manager or his or her designee, Consultant shall have no authority, express or implied to act on behalf of City in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, under this Agreement, to bind City to any obligation whatsoever.

16. Term. The term of this Agreement shall commence on July 1, 2018 and shall continue in full force and effect until June 30, 2021.

City shall, at its discretion, have the right to extend the term of this Agreement, in intervals of one year, by written notice to Consultant. The total duration of this Agreement, including the exercise of any options under this section, shall not

exceed 5 years.

If the term of this Agreement extends into fiscal years subsequent to that in which it is approved, such continuation of the Agreement is contingent on the appropriation of funds for such purpose by the City Council of the City of Vallejo. If funds to effect such continued payment are not appropriated, Consultant agrees to terminate any services supplied to City of Vallejo under this Agreement, and relieve City of any further obligation therefore.

17. Termination or Abandonment by City. The City has the right, at any time and in its sole discretion, to immediately terminate or abandon any portion or all of the services to be provided under this Agreement by giving notice to Consultant. Upon receipt of a notice of termination, Consultant shall perform no further work except as specified in the notice. Before the date of termination, Consultant shall deliver to City all City records and documents, all work product, whether completed or not, as of the date of termination and not otherwise previously delivered.

The City shall pay Consultant for services performed in accordance with this Agreement before the date of termination. If this contract provides for payment of a lump sum for all services or by task and termination occurs before completion of the work or any defined task which according to the performance schedule was commenced before the notice of termination, the fee for services performed shall be based on an amount mutually agreed to by City and Consultant for the portion of work completed in conformance with this Agreement before the date of termination. In addition, the City will reimburse Consultant for authorized expenses incurred and not previously reimbursed. The City shall not be liable for any fees or costs associated for the termination or abandonment except for the fees, and reimbursement of authorized expenses, payable pursuant to this section.

18. Products of Consulting Services. The work product, including without limitation, all writings, work sheets, reports, recordings, drawings, files, detailed calculations and other work products, whether complete or incomplete, of Consultant resulting from services rendered pursuant to this Agreement, shall become the property of City. Consultant agrees that all copyrights which arise from creation of the work under this Agreement shall be vested in the City and waives and relinquishes all claims to copyright or other intellectual property rights in favor of the City. City acknowledges that its use of the work product is limited to the purposes contemplated by the scope of work and that the Consultant makes no representation of the suitability of the work product for use in or application to circumstances not contemplated by the scope of work.

Documents submitted to the City in electronic format shall be formatted according to specifications provided by the City, or if not otherwise specified, in Microsoft Word, Excel, PowerPoint or other Microsoft Office Suite (2002) format as appropriate for the particular work product or, if directed by the City Representative in Adobe Acrobat PDF format.

19. Cooperation by City. City shall, to the extent reasonable and practicable, assist and cooperate with Consultant in the performance of Consultant's services hereunder.

20. Assignment and Subcontracting. Consultant shall not subcontract, assign or transfer voluntarily or involuntarily any of its rights, duties or obligation under this Agreement without the express written consent of the City Manager or his or her designee in each instance. Any attempted or purported assignment of any right, duty or obligation under this Agreement without said consent shall be void and of no effect.

If subcontracting of work is permitted, Consultant shall pay its subcontractor within ten (10) days of receipt of payment by City for work performed by a subcontractor and billed by the Consultant. Use of the term subcontractor in any other provision of this contract shall not be construed to imply authorization for Consultant to use subcontractors for performance of any service under this Agreement.

The City is an intended beneficiary of any work performed by Consultant's subcontractor for purposes of establishing a duty of care between the subcontractor and City.

Any subcontractor or assignee consented to by City shall be bound by all terms and conditions of this agreement and the same shall be incorporated into and made a part of any assignment or subcontractor agreement.

21. Successors and Assigns. All terms, conditions, and provisions of this Agreement shall apply to and bind the respective heirs, executors, administrators, successors, and assigns of the parties. Nothing in this section is intended to affect the limitation on assignment.

22. Non-Discrimination/Fair Employment Practices.

(a) Consultant shall not, because of race, religious creed, color, sex, national origin, ancestry, disability, medical condition, age, marital status or sexual orientation of any person, refuse to hire or employ, or to bar or discharge from employment, or to discriminate in compensation, or in terms, conditions or privileges any person, and every employee will receive equal opportunity for employment and shall be granted equal treatment with respect to compensation, terms, conditions or other privileges of employment, without regard to his race, religious creed, color, sex, national origin, ancestry, or disability, medical condition, age, marital status or sexual orientation.

Consultant warrants and represents it is an equal opportunity employer and agrees it shall not discriminate on the basis of race, religious creed, color, sex, national origin, ancestry, disability, medical condition, age, marital status or sexual

orientation in the selection and retention of employees, subcontractors or procurement of materials or equipment.

In all solicitations either by competitive bidding or negotiations made by Consultant for work to be performed under any subcontract, including procurement of materials or equipment, each potential subcontractor or supplier shall be notified by Consultant of Consultant's obligation under this Agreement relative to nondiscrimination and fair employment practices.

Consultant shall include the above provisions of this section in every subcontract, including procurement of materials or equipment.

(b) Consultant agrees to comply with Title VII of the Civil Rights Act of 1964, as amended, the California Fair Employment Practices Act, the Americans with Disabilities Act of 1990, any other applicable federal and state laws and regulations and City ordinances and regulations hereinafter enacted.

23. Notices. All notices or instruments required to be given or delivered by law or this Agreement shall be in writing and shall be effective upon receipt thereof and shall be by personal service or delivered by depositing the same in any United States Post Office, registered or certified mail, postage prepaid, addressed to:

If to City: Annette Taylor
Senior Community Development Analyst
Economic Development Division
555 Santa Clara Street
Vallejo, CA 94590

If to Consultant: Michael Browne
President & CEO
Visit Vallejo
289 Mare Island Way, Suite A
Vallejo, CA 94590

Any party may change its address for receiving notices by giving written notice of such change to the other party in accordance with this section.

Routine administrative communications shall be made pursuant to section 1 of Exhibit A.

24. Integration Clause. This Agreement, including all Exhibits, contains the entire agreement between the parties and supersedes whatever oral or written understanding they may have had prior to the execution of this Agreement. This Agreement shall not be amended or modified except by a written agreement executed by each of the parties hereto.

25. Severability Clause. Should any provision of this Agreement ever be deemed to be legally void or unenforceable, all remaining provisions shall survive and be enforceable.

26. Law Governing. This Agreement shall in all respects be governed by the law of the State of California without regard to its conflicts of law rules. Litigation arising out of or connected with this Agreement shall be instituted and maintained in the courts of Solano County in the State of California or in the United States District Court, Eastern District of California, Sacramento, California, and the parties consent to jurisdiction over their person and over the subject matter of any such litigation in such courts, and consent to service of process issued by such courts.

27. Waiver. Waiver by either party of any default, breach or condition precedent shall not be construed as a waiver of any other default, breach or condition precedent or any other right hereunder.

28. Ambiguity. The parties acknowledge that this is a negotiated agreement, that they have had the opportunity to have this Agreement reviewed by their respective legal counsel, and that the terms and conditions of this Agreement are not to be construed against any party on the basis of such party's draftsmanship thereof.

29. Gender. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identifications of the person or persons, firm or firms, corporation or corporations may require.

30. Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

31. Compliance with Laws. Consultant will comply with all statutes, regulations and ordinances in the performance of all services under this Agreement.

32. Confidentiality of City Information. During the performance of services under this Agreement, Consultant may gain access to and use City information regarding, but not limited to, procedures, policies, training, operational practices, and other vital information (hereafter collectively referred to as "City Information") which are valuable, special and unique assets of the City. Consultant agrees that it will not use any information obtained as a consequence of the performance of services under this Agreement for any purpose other than fulfillment of Consultant's scope of work, to protect all City Information and treat it as strictly confidential and proprietary to City, and that it will not at any time, either directly or indirectly, divulge, disclose or communicate in any manner any City Information to any third party, other than its own employees, agents or subcontractors who have

a need for the City Information for the performance of services under this Agreement, without the prior written consent of City, or as required by law.

Consultant shall treat all records and work product prepared or maintained by Consultant in the performance of this Agreement as confidential.

A violation by Consultant of this section shall be a material violation of this Agreement and will justify legal and/or equitable relief.

Consultant's obligations under this section shall survive the completion of services, expiration or termination of this Agreement.

33. News and Information Release. Consultant agrees that it will not issue any news releases in connection with either the award of this Agreement, or any subsequent amendment of or efforts under this Agreement, without first obtaining review and approval of said news releases from City through the City Representative.

34. City Representative. The City Representative specified in Exhibit A, or the representative's designee, shall administer this Agreement for the City.

35. Counterparts. The parties may execute this Agreement in one or more counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same instrument.

36. Facsimile Signature; Electronic Signature. This Agreement shall be binding upon the receipt of facsimile signatures or e-mailed by PDF or otherwise. Any person transmitting his or her signature by facsimile or electronically shall promptly send an original signature to the other party pursuant to the notice provision of this Agreement. The failure to send an original shall not affect the binding nature of this Agreement.

37. Authority. The person signing this Agreement for Consultant hereby represents and warrants that he/she is fully authorized to sign this Agreement on behalf of Consultant.

38. Exhibits. The following exhibits are attached hereto and incorporated herein by reference:

Exhibit A, entitled "Scope of Work," including any attachments

Exhibit B, entitled "Compensation," including any attachments

Exhibit C, entitled "Insurance Requirements," including attachments

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year shown below the name of each of the parties.

VISIT VALLEJO
A 501C6 not for profit

CITY OF VALLEJO,
a municipal corporation

By: _____
Michael Browne
President & CEO

By: _____
Greg Nyhoff
City Manager

DATE: _____

DATE: _____

Vallejo Business License No.

ATTEST:

By: _____
Dawn Abrahamson
City Clerk

(City Seal)

APPROVED AS TO CONTENT:

Ron Gerber
Economic Development Manager

APPROVED AS TO FORM
AND INSURANCE:

Claudia Quintana
City Attorney

APPROVED AS TO INSURANCE:

Herbert Lester
Risk Manager

EXHIBIT A

SCOPE OF WORK

1. **Representatives.** The City Representative for this Agreement is:

Annette Taylor
Senior Community Development Analyst
Economic Development Division
555 Santa Clara Street
Vallejo CA 94590
707-649-3510
707-648-4499

The Consultant's Representative for this Agreement is:

Michael Browne
President & CEO
Visit Vallejo
289 Mare Island Way, Suite A
Vallejo, CA 94590
707-642-3653
707-644-2206

All routine administrative communications between the parties will be between the above named representatives and may be by personal delivery, mail, facsimile transmission, or electronic mail as agreed between the Consultant Representative and City's Representative.

2. **Services to be Provided.** The services provided shall be as set forth in the 2018/2019 Visit Vallejo Marketing Plan Vallejo Tourism Business Improvement District (VTBID), incorporated herein by this reference.

3. **Time for Performance.** Consultant shall submit quarterly written progress reports describing the status of implementation of components of the Agreement and available data concerning visitors' inquiries, sales leads generated, advertising and trade show leads, web site hits, memberships and lodging outlook.

- a. First Progress Report by October 15, 2018, for activities during the period from July 1, 2018 to September 30, 2018.
- b. Second Progress Report by January 15, 2019, for activities during the period from October 1, 2018 to December 31, 2018.

- c. Third Progress Report by April 15, 2019, for activities during the period from January 1, 2019 to March 31, 2019.
- d. Fourth Progress Report by July 15, 2019, for activities during the period April 1, 2019 to June 30, 2019.

4. Key Personnel. All of the individuals identified below are necessary for the successful prosecution of the services due to their unique expertise and depth and breadth of experience. There shall be no change in the personnel listed below, without written approval of the City Representative. Consultant recognizes that the composition of this team was instrumental in the City's decision to award the work to Consultant and that compelling reasons for substituting these individuals must be demonstrated for the City's consent to be granted. Any substitutes shall be persons of comparable or superior expertise and experience. Failure to comply with the provisions of this section shall constitute a material breach of Consultant's obligations under this Agreement and shall be grounds for termination.

Key personnel are as follows:

President & CEO

EXHIBIT B
PAYMENTS

The total reimbursement payments for each category shall not exceed the amounts in the categories defined in the attached budget. In the event CONSULTANT desires to modify the approved budget for the one of the categories in the attached budget, CONSULTANT shall submit such request to CITY in writing. Any approved changes pursuant to such request shall be at the City Manager or his designee's sole discretion and shall be sent to CONSULTANT in writing.

Upon satisfactory completion of performance standards outlined in Exhibit A – Scope of Services, City will make payments to GRANTEE as follows:

- A. CITY shall reimburse CONSULTANT for monies collected for the period July 1st to July 31st of each year.
- B. CITY shall reimburse CONSULTANT for monies collected for the period August 1st to August 31st of each year.
- C. CITY shall reimburse CONSULTANT for monies collected for the period September 1st to September 30th of each year.
- D. CITY shall reimburse CONSULTANT for monies collected for the period October 1st to October 31st of each year.
- E. CITY shall reimburse CONSULTANT for monies collected for the period November 1st to November 30th of each year.
- F. CITY shall reimburse CONSULTANT for monies collected for the period December 1st to December 31st of each year.
- G. CITY shall reimburse CONSULTANT for monies collected for the period January 1st to January 31st of each year.
- H. CITY shall reimburse CONSULTANT for monies collected for the period February 1st to February 28th of each year.

I. CITY shall reimburse CONSULTANT for monies collected for the period March 1st to March 31st of each year.

J. CITY shall reimburse CONSULTANT for monies collected for the period April 1st to April 30th of each year.

K. CITY shall reimburse CONSULTANT for monies collected for the period May 1st to May 31st of each year.

L. CITY shall reimburse CONSULTANT for monies collected for the period June 1st to June 30th of each year.

Request for payment shall be sent to:

Ron Millard
Finance Director
Finance Department
555 Santa Clara Street
Vallejo CA 94590

EXHIBIT C

INSURANCE REQUIREMENTS

Consultant shall procure and maintain for the duration of this Agreement, including any extensions thereto, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of services hereunder by the Consultant, their agents, representatives, or employees or subcontractors.

1. Minimum Scope of Insurance. Coverage shall be at least as broad as:

A. Insurance Services Office form number GL 0002 covering Comprehensive General Liability and Insurance Services Office form number GL 0404 covering Broad Form Comprehensive General Liability; or Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).

B. Insurance Services Office form number CA 0001 covering Automobile Liability, code 1 any auto and endorsement CA 0025.

C. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

D. Professional Liability insurance appropriate to the Consultant's profession (Errors and Omission).

2. Minimum Limits of Insurance. Consultant shall maintain limits no less than:

A. General Liability: \$2,000,000 per occurrence for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

B. Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.

C. Workers' Compensation and Employer's Liability: \$1,000,000 per accident for bodily injury or disease. If Consultant is not subject to California Workers' Compensation requirements, Consultant shall file a completed certificate of exemption form which may be obtained from the City prior to commencing any activity authorized hereunder.

D. Professional Liability (Errors and Omission): \$1,000,000 combined single limit per occurrence, and annual aggregate.

3. Deductible and Self-Insured Retention. Any deductibles or self-insured retention must be declared to and approved by the City. At the option of the City, either: the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the City of Vallejo, its officers, officials, employees and volunteers; or the Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

4. Other Insurance Provisions. The general liability and automobile liability policies, as can be provided, are to contain, or be endorsed to contain, the following provisions:

A. The City of Vallejo, its officers, officials, employees, agents and volunteers are to be covered as additional insureds as respects; liability, including defense costs, arising out of activities performed by or on behalf of the Consultant; products and completed operations of the Consultant; premises owned, occupied or used by the Consultant; or automobiles owned, leased hired or borrowed by the Consultant. The coverage shall contain no special limitations on the scope of protection afforded to the City of Vallejo, its officers, officials, employees, agents or volunteers. The insurance is to be issued by companies licensed to do business in the State of California.

B. For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the City of Vallejo, its officers, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by the City of Vallejo, its officers, officials, employees, agents, or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

C. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the City, its officers, officials, employees, agents, or volunteers.

D. The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

E. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

F. The workers' compensation and employer's liability policy required hereunder shall be endorsed to state that the workers' compensation carrier

waives its right of subrogation against City, its officers, officials, employees, agents and volunteers, which might arise by reason of payment under such policy in connection with Consultant's performance under this Agreement.

5. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

6. Verification of Coverage. Consultant shall furnish the City with certificates of insurance and original endorsements effecting general and automobile liability insurance coverage required by this clause. The certificates and endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. All endorsements are to be received and approved by the City before work commences.

7. Subcontractors. Consultant shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

8. Payment Withhold. City will withhold payments to Consultant if the certificates of insurance and endorsements required in Paragraph F, above, are canceled or Consultant otherwise ceases to be insured as required herein.

VALLEJO CONVENTION & VISITORS BUREAU				
2018/20019 BUDGET BY MAJOR CATEGORY - TOTAL				Attachment 2
November 5, 2018				
	Year End		FORECAST	
CATEGORY	2017-2018	% of TOTAL	2018-2019	% of TOTAL
Salaries/Administration	\$252,881	45.2%	\$244,262	45.7%
Employee Insurance	\$20,768	3.7%	19,824	3.7%
Workers Compensation	\$2,640	0.5%	2,640	0.5%
Liability Insurance	\$1,098	0.2%	1,098	0.2%
Retirement	\$0	0.0%	6,840	1.3%
FICA/SDI/SUI	\$21,369	3.8%	21,495	4.0%
Payroll Expense	\$1,680	0.3%	1,680	0.3%
Supplies	\$5,600	1.0%	4,000	0.7%
Telephone	\$528	0.1%	9,385	1.8%
Postage/Shipping	\$9,036	1.6%	8,000	1.5%
D/O Liability Insurance	\$1,850	0.3%	1,850	0.3%
Property Taxes	\$250	0.0%	250	0.0%
Building Rent/CAM	\$13,920	2.5%	18,700	3.5%
Building Maintenance - Interior	\$250	0.0%	1,200	0.2%
Equipment Repair	\$447	0.1%	500	0.1%
Rental/Lease - Equipment	\$5,831	1.0%	6,100	1.1%
Sales/Promo/Entertainment	\$1,845	0.3%	1,500	0.3%
Auto Expense - Mileage	\$300	0.1%	300	0.1%
Management Expense	\$650	0.1%	1,525	0.3%
Independent Contractors/Research	\$18,525	3.3%	17,925	3.4%
Conferences	\$12,000	2.1%	5,500	1.0%
Sales/Marketing/Trade Shows	\$42,000	7.5%	44,500	8.3%
Membership Dues	\$7,700	1.4%	9,008	1.7%
Board Expense	\$250	0.0%	400	0.1%
Publications/Subscriptions	\$250	0.0%	250	0.0%
Membership Division Expenses	\$200	0.0%	300	0.1%
Membership Connections	\$700	0.1%	700	0.1%
Advertising/Printing	\$104,056	18.6%	92,243	17.3%
Educational Seminars	\$0	0.0%	200	0.0%
Recognition/Reception	\$300	0.1%	300	0.1%
Bank Fees	\$1,000	0.2%	1,000	0.2%
Exec. Dir. Discretionary Fund	\$1,300	0.2%	1,500	0.3%
New Equipment	\$1,000	0.2%	500	0.1%
CPA	\$1,655	0.3%	1,655	0.3%
Web Site	\$28,000	5.0%	6,870	1.3%
Other Expenses/Contingency	\$0	0.0%	0	0.0%
TOTAL	\$559,879	100.0%	\$534,000	100.0%
INCOME	\$563,418		\$534,000	
DIFFERENCE	\$3,539		\$0	

VISIT VALLEJO								
2018-2019 BID REVENUE LOG & FORECAST								
		2018-2019	2018-2019			VARIANCE		Adjustments
MONTH	PRIOR YEAR	ACTUAL	BUDGET	YTD ACTUAL	YTD BUDGET	YTD ACT vs BUD	Rec'd	
July	50,445.00	40,311.00	45,000.00	40,311.00	45,000.00	-4,689.00	Yes	Incl \$1,112 from April 2018
August	53,931.00	38,641.00	45,000.00	78,952.00	90,000.00	-11,048.00	Yes	Incl \$1,562-Feb; \$1,462-May
September	50,220.00	34,275.00	45,000.00	113,227.00	135,000.00	-21,773.00	Yes	Incl \$306 - hotel payment plan
October	49,494.00	47,124.00	50,000.00	160,351.00	185,000.00	-24,649.00	Yes	See Note 1
November	60,468.00	38,000.00	52,000.00	198,351.00	237,000.00	-38,649.00		
December	41,474.00	35,000.00	45,000.00	233,351.00	282,000.00	-48,649.00		
January	33,319.00	25,000.00	35,000.00	258,351.00	317,000.00	-58,649.00		
February	39,307.00	25,000.00	35,000.00	283,351.00	352,000.00	-68,649.00		
March	34,688.00	24,000.00	34,000.00	307,351.00	386,000.00	-78,649.00		
April	50,050.00	34,000.00	44,000.00	341,351.00	430,000.00	-88,649.00		
May	38,394.00	28,000.00	38,000.00	369,351.00	468,000.00	-98,649.00		
June	37,928.00	32,000.00	42,000.00	401,351.00	510,000.00	-108,649.00		
TOTALS	\$539,718.00		\$510,000.00					
NOTES:								
1. Incl \$5,105 from July, \$1,897 from Aug, \$899 from FY 11-14, \$361 from FY 14-16								
2. November - June forecasts based upon hotel renovations and sale of one hotel.								

VISIT VALLEJO					
CITY OF VALLEJO FUNDING HISTORY & VT BID FORECAST					
11/6/2018					
FISCAL YEAR	CITY FUNDING	TRANSIENT OCCUPANCY TAX	VALLEJO TOURISM	CITY FUNDING	
		TOT	VT BID	Plus VT BID	
1996-1997	\$252,000	\$1,083,564	n/a		
1997-1998	264,000	1,150,680	n/a		
1998-1999	314,000	1,340,380	n/a		
1999-2000	409,070	1,616,412	n/a		
2000-2001	375,306	1,972,555	n/a		
2001-2002	477,044	1,821,003	n/a		
2002-2003	485,789	1,540,272	n/a		
2003-2004	375,000	1,448,047	n/a		
2004-2005	375,000	1,391,143	221,873	596,873	
2005-2006	267,500	1,361,487	201,084	468,584	
2006-2007	167,500	1,607,994	213,860	381,360	
2007-2008	67,000	1,495,843	282,188		
2008-2009	0	1,321,953	378,687		
2009-2010	0	1,018,068	315,953		
2010-2011	0	1,064,014	314,481		
2011-2012	0	1,130,688	322,243		
2012-2013	0	1,217,544	339,968		
2013-2014	0	1,483,712	389,527		
2014-2015	0	1,849,247	410,646		
2015-2016	0	2,131,273	479,520		
2016-2017	0	2,606,950	542,344		
2017-2018	0	2,548,213	539,718		
2018-2019	0		401,500		
2019-2020	0		490,000		
2020-2021	0		500,000		
NOTE 1: 2018-2019 original BID Budget was \$510,000, but revise forecast is \$401,500 based on hotels closing for total renovation & re-bra					
NOTE 2: 2019-2010 forecast based on all hotels open, but loss of hotel sold for student housing.					
NOTE 3: 2020-2021 forecast based on historical 2% increase over prior year					



**2018/2019
Visit Vallejo
Marketing Plan
Vallejo Tourism
Business Improvement District
(VTBID)**

Mission Statement

“The purpose of Visit Vallejo is to develop and promote the greater Vallejo area and its amenities as an overnight destination, thereby contributing to the area's economic growth and to the enhancement of the area's public image as a desirable visitor destination.”

CONFIDENTIAL

The 2018/2019 Marketing Plan is a confidential document of the Vallejo Convention & Visitors Bureau. Recipients of this document are asked not to duplicate it in any way or provide it to another party without the prior written consent of the Vallejo Convention & Visitors Bureau.

CONTENTS

I.	Marketing Background	
	A. Overview	2
	B. Strengths & Challenges	2-4
	C. Target Markets	5
	D. Product Review	5
	E. Product Mix	6-9
II.	Marketing Plan	
	A. Goals and Objectives	9
	B. Compensation	10
	C. Positioning	10
	D. Strategies and Tactics by Travel Market	10
	1. Independent Leisure Travel	10
	2. Group Travel	11
	3. Meetings, Conventions & SMERF	12
	4. Sports Marketing	12
	5. Additional Marketing Strategies	13
	E. Visit Vallejo Publication, Collateral and Website	14
	F. Social Media, Communications & Public Relations	15
	G. Partnership/Membership	15
	H. Educational Conferences and Industry Meetings	16

I. MARKETING BACKGROUND

A. OVERVIEW

Visit Vallejo (formally marketed as Vallejo Convention & Visitors Bureau) is charged with the duty of increasing overnight stays in Vallejo by promoting it as a destination as well as a gateway city. It accomplishes this by developing and implementing a comprehensive marketing plan that focuses on specific markets that are pertinent to Vallejo and the surrounding area. The Visit Vallejo staff acts as a catalyst for extending day visits and overnight stays to Vallejo, development of community tourism events, and the resulting increase in tourism related revenue to the city.

B. STRENGTHS AND CHALLENGES

Strengths - External

- ◆ Occupancy Rates for Vallejo hotels as reported by Smith Travel Research are the highest since we subscribed to this service. This correlates to our increased funding from the Vallejo Tourism Business Improvement District (VTBID) over the past six years. Specifically, we have made inroads into the International market, especially from China, sports marketing and the strength of our Digital Marketing Coordinator hired three years ago. Tourism is also strong in California and San Francisco which we benefit. (NOTE: The Transient Occupancy Tax or TOT has been on a record setting path over these same six years.)
- ◆ Vallejo remains one of the most accessible cities in Northern California. Highway access is ideal, offering major travel routes from all directions. In addition, the San Francisco Bay Ferry, BART, and Amtrak make it convenient to reach Vallejo by public transportation. Direct shuttle service from both Oakland and San Francisco International Airports makes Vallejo accessible to travelers from greater distances.
- ◆ Attractions continue to be a strong element of the Visit Vallejo product mix. In particular, Six Flags Discovery Kingdom continues to make significant investment with the addition of a new ride every year since 2014. Six Flags Discovery Kingdom's extended its operating season back in 2007 with the Holiday in the Park event and opened year round operation in 2013-14 which was welcomed news for Vallejo hotels and the local economy.
- ◆ Our city and Partner/membership also offer many other attractions that are appealing to all ages and entice visitors to choose Vallejo as their vacation destination. These Vallejo attractions include the Mare Island Brewery & Taproom, the Vallejo Naval & Historical Museum, the Mare Island Historic Park and their museum, world-class golf courses like the Hiddenbrooke Golf Club and the Mare Island Golf Club and the Vallejo Arts and Heritage Districts. We also enjoy strong Partnerships with attractions outside of Vallejo i.e. the Sonoma Raceway, the Jelly

Belly Candy Company, the Anheuser-Busch Brewery Tours, Napa Valley Wine Train, San Francisco Bay Ferry, PIER 39 and many more.

- ◆ Our local hotels have benefitted greatly from the increased occupancy which has dramatically affected their Average Daily Rates (ADR) and overall revenues are way up. This has caused some overdue renovation which began four years ago when the Courtyard by Marriott Vallejo Napa Valley renovated their entire property. Currently, the Best Western and Ramada Inn are both shut down for a total renovation and new brands. The Howard Johnsons Inn & Suites is extensively remodeling and will undergo a branding change. And many of the locally owned hotels have invested back into their properties.
- ◆ Our traditional waterfront and Mare Island events continue to perform well. The Flyway Festival, Pista Sa Nayon Independence Day Celebration, the Intertribal Pow Wow and Vallejo Waterfront Weekend continue to grow and bring additional overnight business to Vallejo. The Northern California Pirate Festival celebrated their 11th year in Vallejo. Visit Vallejo will continue to actively promote and partner with these and other events whenever possible.

Strengths - Internal

- ◆ Pro-active Chairpersons and Board of Directors have provided strong support of the Team at Visit Vallejo and their input in the development of our marketing plans and the success over these past six years.
- ◆ The City of Vallejo and our Board have been very supportive of our recent move from the Vallejo Ferry Terminal to the USA World Classics Event Center. It was critical in the move that we were allowed to keep our Visitors Information space intact. The Mare Island Brewery was also supportive of the City's decision to allow Visit Vallejo to continue to operate this important asset to our visitors and residents.
- ◆ A very experienced, versatile and knowledgeable staff allows Visit Vallejo to be well received in our local and marketing communities. In addition, the staff's knowledge of Vallejo, its attributes and history are indispensable in responding to the needs of our clients in all market segments.
- ◆ Visit Vallejo was fortunate three years ago when we searched for a Digital Marketing Coordinator to assist us with our Social Media. We hired a very talented millennial from Vallejo who quickly established a strong presence for Visit Vallejo in the competitive world of digital media as well as brought with him his skills as a photographer and videographer.
- ◆ Visit Vallejo's marketing efforts continue to gain awareness within the travel industry as well as the community. As Visit Vallejo continues to have a strong marketing and local presence, travelers as well as residents recognize what Vallejo has to offer and

increasingly project a positive image of our city. This recognition and brand awareness continues to enhance the area's future.

- ◆ Like most Vallejoans, Visit Vallejo remains *patiently* optimistic about the many redevelopment projects currently proposed in Downtown Vallejo and along the waterfront and by the Nimitz Group and their plans for the north end of Mare Island. These projects energize the staff when selling Vallejo and give the city hope of bringing more residents and visitors to Vallejo and thus increasing economic development.

Challenges

Many of the past challenges of marketing Vallejo will continue to confront Visit Vallejo in 2018-2019. The Visit Vallejo Board and its members have been addressing many of these challenges and the City of Vallejo's long term plans, including the development of Vallejo's downtown and waterfront, and the potential at the Solano County Fairgrounds.

- ◆ As we begin fiscal year 2018-2109, Visit Vallejo faces a critical obstacle unforeseen to be significant in our promotion of Vallejo. This involves our BID funding from the hotels who are totally renovating their properties and the sale of another. One of our largest hotels closed the entire property in early January, 2018 and began a total remodeling and a rebranding. While this is wonderful news, the loss of the BID is very important and most especially if it extends beyond their estimated re-opening. Another effect on our BID funding was the sale of a hotel that was turned into student housing.
- ◆ Lack of convention and meeting space adjacent to a large hotel property to accommodate large groups (over 300) continues to limit Vallejo's penetration into this market. Although the Solano County Fairgrounds does offer indoor space to meet the needs of larger groups, most conventions and meetings continue to look for space within a hotel property or directly connected to one.
- ◆ Along with limited meeting space, is the need for a single hotel property with enough rooms to accommodate larger groups in one location. This is even more of a problem ever since the Courtyard by Marriott actually reduced their meeting space when they remodeled.
- ◆ A shortage of branded hotel rooms in Vallejo is also a challenge for the Visit Vallejo. The number of hotel rooms at hotels outside of Vallejo has risen significantly over the past 6 years. Name brand, franchise properties in Vallejo only provide approximately 800 hotel rooms (a little more than half of all Vallejo hotel rooms) leaving Vallejo completely booked on many summer weekends. Additional hotel development in Vallejo will provide the opportunity to accommodate more leisure and business travelers, resulting in greater Transient Occupancy Tax (TOT) and Business Improvement District (BID) revenue and economic impact for the city. Concern for prior decreases in hotel occupancy was attributed to new properties in

American Canyon, Vacaville and Fairfield and other nearby communities putting visitors closer to the wine country and offering the visitor newer surroundings. This trend is reversing as many Vallejo hotels have changed names and totally renovated their properties.

- ◆ An ongoing challenge and opportunity at the same time for our hotels is the increase in Airbnbs and the fact that the City of Vallejo is not collecting TOT or our VT BID.

C. TARGET MARKETS

Vallejo's unique geographic location and affordability make it an appropriate destination for several market segments. Each of these, listed below, will be addressed in detail in the Travel Marketing section of the Marketing Plan.

- Independent Leisure Travel
 - Direct to Consumers
 - Travel Agents

- Group Travel Industry
 - Domestic
 - International
 - Senior
 - Student/Youth

- Meetings, Conventions & Reunions
 - Association
 - Government
 - SMERF (Social, Military, Education, Religious, Fraternal)

- Sports Marketing

The international market has blossomed in Vallejo ever since our Director of Sales was introduced to a wholesaler out of Los Angeles during her attendance at the International Pow Wow (IPWW).

D. PRODUCT REVIEW

Vallejo is situated at the north end of the San Francisco bay, just south of the Napa Valley and Sonoma wine country. Strategically located at the juncture of interstate highway 80 and state highways 780, 37 and 29, Vallejo is accessible to travelers from San Jose to San Francisco, from Napa to Sacramento, and beyond.

Visit Vallejo Visitor Inquiries

- ◆ In fiscal year 2017-2018, total visitor inquiries were 10,460 up 2,197 or 27% versus prior year.

Memberships

- ◆ For fiscal year 2017-2018, new members totaled 13, resulting in a current membership total of 232 versus 234, versus prior year.

Trade Shows

- ◆ Through the end of fiscal year 2017-2018, hotel bookings generated by our attendance at trade shows were more than 60,301, up 7% versus prior year. Fiscal year 2016-2017 produced 57,285 rooms, up an incredible 73% and mostly due to the busses filled with visitors from China and through our Director of Sales and her strong relationship with the wholesaler, JBS Hotels from Los Angeles.

Lodging Outlook

- ◆ Through the last two fiscal years, the numbers reported from Smith Travel Research (STR) for Vallejo were:

	<u>2016-2017</u>	<u>2017-2018</u>	<u>% Change</u>
Occupancy	63.4%	66.8%	5.4%
Room Rate	\$80.87	\$82.33	1.8%
REVPAR**	\$51.26	\$55.01	7.3%

These are the highest rates in more than 7 years.

**Revenue Per Available Room

E. PRODUCT MIX

The attraction members of Visit Vallejo are a diverse group, located both in Vallejo and in surrounding areas from Vacaville to the Napa Valley to San Francisco. This expanded attraction base helps to reinforce the Visit Vallejo’s efforts to represent Vallejo as a centrally located overnight destination and a “gateway city”.

Visit Vallejo has 22-member lodging facilities all located in Vallejo. These properties are primarily in the moderate category (only one is currently full-service but this is supposed to change when one of the two hotels under renovation opens again). Since the maximum banquet capacity of the largest hotel in Vallejo is only 100 people, Visit Vallejo also provides information on a variety of member and non-member meeting facilities. By promoting these facilities, Visit Vallejo can attract larger groups to stay in Vallejo for their meetings and conventions.

Member Attractions and Points of Interest

Museums

Benicia Historical Museum
Charles M. Schulz Museum
Mare Island Museum
USA World Classics
Vallejo Naval & Historical Museum
Western Railway Museum

Attractions

Angel Island Tram Tours
Anheuser-Busch Brewery Tour
Blue & Gold Fleet
Ferry Building Marketplace
Infineon Raceway
Jelly Belly Candy Company
Mare Island Historic Park & Museum
Pacific Coast Farmer's Market
PIER 39
San Francisco Bay Ferry
Six Flags Discovery Kingdom
Solano County Fairgrounds

Breweries & Tasting Rooms

Mare Island Brewery & Taproom
Napa Smith Brewery & Taproom
Savage & Cooke Distillery & Taproom

Recreation

Greater Vallejo Recreation District
Vallejo Municipal Marina

Napa Valley

Castello di Amorosa
Jamieson Ranch Vineyards
Larson Family Winery
Napa Valley Wine Tours
Napa Valley Wine Train
V. Sattui Winery
Vezer Family Vineyards

Arts & Architecture

Benicia Old Town Theatre Group
Vallejo Architectural Heritage
Foundation
Vallejo Community Arts Foundation
Vallejo Symphony Association
Vallejo Music Theatre

Golf

Blue Rock Springs Golf Course
Hiddenbrooke Golf Club
Mare Island Golf Club
Paradise Valley Golf Course
Rancho Solano Golf Course

Hotel Properties and Meeting Facilities

VCVB Member Hotel Properties	Rooms	Banquet Max.
America's Best Value Inn	49	
Bays Inn	20	
Hampton Inn Discovery Kingdom Napa Gateway	117	50
Budget Inn	15	
California Motel	18	
Quality Inn	79	
Courtyard by Marriott Vallejo/Napa Valley	172	100
Deluxe Inn	60	
Economy Inn	10	
Discovery Inn	24	
El Rancho Inn & Suites	20	
Scottish Inn	22	
Islander Motel	21	
Motel 6- Fairgrounds Drive	96	
Motel 6- Marine World Parkway	54	
Motel 7	87	
Best Western-Sure Stay	78	50
Ramada Inn (coming soon as a Comfort Inn)	130	36
Regency Inn	38	
Rodeway Inn	82	
Travel Inn	60	
Travelodge by Wyndham	29	
Total	1,281	
Total Lodging Facilities in Vallejo: 22		
VCVB Member Meeting Facilities	Rooms	Banquet Max.
American Legion Post #550		200
Angel Island Tram Tours		200
Benicia Historical Museum		132
Blue Rock Springs Golf Course		100
California Maritime Academy		125
Courtyard by Marriott Vallejo Napa Valley		100
Dead Fish, The		50
The Emerald Halls (Dance Unlimited)		200
Foley Cultural Center		500
Front Room at the Wharf		100
The Grill at Eagle Vines Golf Club (Napa)		160
Hiddenbrooke Golf Club		250

Legends & Heroes at Rancho Solano Golf Club (Fairfield)	500
Mare Island Museum	1,000
Napa Valley Museum	50
Norman King South Vallejo Community Center	200
North Vallejo Community Center	80
Paradise Valley Golf Club (Fairfield)	200
Six Flags Discovery Kingdom	5,000
Solano Community College	400
Solano County Fairgrounds	1,600
Springbrook Masonic Temple	300
Stinking Rose, The	78
Touro University	250
USA World Classics Event Center	300
V. Sattui Winery	270
Vacaville Museum	200
Vallejo Community Center	350
Vallejo Naval & Historical Museum	120
Vallejo Performing Arts & Conference Center	400
Vallejo Unified School District	700

II. MARKETING PLAN

A. GOALS AND OBJECTIVES

- ◆ In light of the hotel renovations and rebranding, monitor expenses carefully. Our Director of Sales is challenged with re-locating and or trying to fill those hotels that are open for business in Vallejo.
- ◆ In partnership with the City of Vallejo, work to finalize the new brand currently in development and plan for concerted roll-out of use within the Vallejo community.
- ◆ Analyze current benefits and fees of membership in Visit Vallejo and develop new recommendations for annual dues, benefits and enhanced value-added packages that might include advertising on our website and more.
- ◆ Create and produce a new official Vallejo Visitors Map which is a separate marketing piece from the traditional simple major streets map within our Visitors Guide.
- ◆ Continue to seek more cooperative marketing programs with Vallejo’s community organizations, e.g. Downtown Merchants Association, CCRC, Vallejo Symphony, Vallejo Arts District, Vallejo Community Arts Foundation and others to attract visitors to Vallejo.

B. COMPENSATION

Continue to review annually the Team's performance and provide cost-of-living and/or a merit increase when possible.

C. POSITIONING

Positioning Statement: *Vallejo is one of the Bay Area's most popular cities, rich with history, affordable lodging and unique, family entertainment with convenient access to San Francisco and the wine country.*

One of Vallejo's major strengths continues to be its location as a city close to San Francisco and the Napa Valley and the wine country. In marketing Vallejo as a secondary destination and an affordable alternative to San Francisco and Napa's high lodging costs, Vallejo's position as a "getaway city" or "close to everything" remains effective until a new branding for Vallejo is rolled out.

We will continue to support and market Vallejo's #1 attraction, Six Flags Discovery Kingdom and their new attraction, ***Batman: The Ride*** opening in the spring, 2019. This includes their other major events i.e. Fright Fest and Holiday in the Park.

D. STRATEGIES AND TACTICS BY TRAVEL MARKET

The leisure travel industry is by far Vallejo's largest market segment. Visit Vallejo divides this segment into two categories: individual and group travel. In addition, the Visit Vallejo markets to meeting and convention groups from the association, government and SMERF (Social, Military, Education, Religious, Fraternal) markets.

1. Independent Leisure Travel

Individual travelers are pursued through marketing to both consumers directly and to travel agents who can influence individual buying decisions. Efforts in this area are focused on extended areas in California that would induce an overnight stay in Vallejo and to primary feeder markets throughout the Western United States.

Advertising

Strategy: Promote Six Flags Discovery Kingdom's new ***Batman: The Ride*** to increase individual and family travel to Vallejo accommodations and member attractions; to increase inquiries for visitor information; and to increase awareness of Vallejo as a travel destination.

Tactics:

- California State Visitors Guide (Print)
- California Road Trips (Print)
- Go-California – Online Site
- Ad Taxi – Online Advertising and Re-Targeting Program
- Six Flags Discovery Kingdom – Online Advertising and in e-News Blasts and

2. Group Travel

Group travel business is pursued on both the domestic and international levels. Annual trade shows attracting tour operators and group leaders and selected print publications are the primary marketing tools in this area. These activities allow the VCVB to meet directly with the people who plan and sell group travel.

Advertising

Strategy: To increase group travel to Vallejo accommodations and member attractions; to increase inquiries for visitor information; and to increase awareness of Vallejo as a destination. Additionally, with the added marketing dollars, we have been able to add back some publications as well as increase frequency and ad size.

Tactics:

- Group Tour Magazine
- Student Group Tour Magazine

Trade Shows

Strategy: To increase room nights for Vallejo lodging properties in the form of contracted group room blocks; to increase business for Visit Vallejo member attractions and businesses; to create awareness of Vallejo as a travel destination; to distribute travel trade information; and to create partnerships with member hotels, attractions and businesses.

Tactics:

<u>Shows</u>	<u>Market*</u>	<u>Date</u>	<u>Location</u>
SYTA	Y	Aug 18	Baltimore, MD
Pow Wow (IPW)	I	Jun 19	Anaheim, CA
American Bus Assoc (ABA)	D	Jan 19	Louisville, KY
National Tour Assoc (NTA)	I	Nov 18	Milwaukee, WI
Go West Summit	I	Feb 19	Boise, ID
Active America China	I	Mar 19	Anchorage, AK

* D = Domestic, I = International, S = Senior, Y = Youth

3. Meetings, Conventions & SMERF (Social, Military, Education, Religious, Fraternal)

Although Vallejo does not have a convention center or large meeting facility, there is a niche market that is uniquely suited to our city’s facilities. Small meetings with limited budgets are an ideal match for Vallejo and Visit Vallejo membership. In particular, government, association and religious meetings, as well as family and military reunions are drawn to Vallejo for its convenient location and access, and its affordable accommodations. This market continues to grow for Vallejo as more effort is put into attracting this area of business travel.

Trade Shows

Strategy: To increase room nights for Vallejo lodging properties in the form of contracted room blocks; to increase business for Visit Vallejo member attractions and businesses; to create awareness of Vallejo as a meeting destination; and to create partnerships with member hotels, attractions and businesses.

Tactics:

<u>Shows</u>	<u>Market*</u>	<u>Date</u>	<u>Location</u>
Connect Faith	S	Nov 18	Ontario, CA
CalSAE Seasonal Spectacular	G	Dec 18	Sac, CA

* A = Association, G = Government, S = SMERF

4. Sports Marketing

According to the CA Travel Association (CTA), more than 75 million people traveled 100 miles or more to attend an organized sporting event in the past five years. The bottom line: sports-related travel generates 46.2 million room nights annually. With its affordable lodging and great entertainment attractions, locally and close by, many

outstanding meeting and sports venue facilities, Vallejo is a perfect fit to gain significant penetration of this market.

Advertising

- Sports Planning Guide

Trade Shows

Strategy: To increase room nights for Vallejo hotels in the form of contracted room blocks; to increase revenues for Visit Vallejo members’ attractions and businesses; to create awareness of Vallejo as a sports destination.

Tactics:

<u>Shows</u>	<u>Market</u>	<u>Date</u>	<u>Location</u>
TEAMS Conference Expo	GRP	Oct 18	Louisville, KY
Nat’l. Assn Sports Commission (NASC)	GRP	May 18	Knoxville, TN

5. Additional Marketing Strategies

Visit Vallejo performs a variety of tasks that supplement its advertising campaigns and trade shows attendance. These functions strengthen the Visit Vallejo’s direct marketing efforts and increase the generation of leads for its members. These include, but are not limited to, the following:

- ◆ Continue opening our Visitors Information Center seven days/week. This has allowed Visit Vallejo to provide maximum service to our inquirers and visitors.
- ◆ Continue to increase awareness of Visit Vallejo and its benefits to the community and its impact on the local economy.
- ◆ Follow-up mailing to all leads acquired at trade shows and sales missions.
- ◆ Distribution of all leads to Visit Vallejo Partners for individual follow-up.
- ◆ Maintain files on all tour operators, travel agents and meeting planners that have expressed interest in Vallejo.
- ◆ Provide area and Visit Vallejo member information packets, when requested, to attendees of conventions and meetings in Vallejo.

- ◆ On request, provide and staff an information table at major waterfront events, conventions and meetings to inform attendees of our area offerings.
- ◆ Coordinate familiarization tours for tour operators, travel agents and travel press.
- ◆ Maintain Visit Vallejo membership in industry organizations that provide marketing and networking opportunities in tourism, business travel and public relations.

E. VISIT VALLEJO PUBLICATIONS, COLLATERAL AND WEBSITE

Visit Vallejo produces a variety of collateral pieces to support its marketing efforts. Continuing in 2018-2019, major visitor publications will have similar design elements to unify the pieces under the Visit Vallejo brand. These pieces provide contact information for Visit Vallejo, visitor information, and/or special promotional offerings. Additionally, targeted marketing promotions are produced by Visit Vallejo to increase business to Vallejo lodging properties and Visit Vallejo members, as well as increase consumer awareness of Vallejo as a travel destination.

Projects

- Rack Cards

This popular brochure-size card will be re-printed and updated with Six Flags Discovery Kingdom information. This piece is a convenient “quick guide” for Vallejo and our special events and major attractions. Distributed at 11 strategic California Visitor Centers as well as in Sacramento, the East Bay area and Napa Valley. Quantity = 100,000

- *Official Vallejo Visitors Guide*

The *Official Vallejo Visitors Guide* is new for 2018-2019. This Visitors Guide serves as one of the primary fulfillment pieces for all visitor inquiries. The Visitors Guide provides information on Vallejo history and activities, a calendar of events, area and city maps, general visitor information, Visit Vallejo member advertisements and a directory listing of all Visit Vallejo members. Quantity = 12,000.

Website

In order to remain competitive in the digital marketplace, Visit Vallejo will begin plans for a new website that is faster and more user-friendly and a design that is more appealing and useful to our visitors.

F. SOCIAL MEDIA, COMMUNICATIONS AND PUBLIC RELATIONS

Visit Vallejo maintains an ongoing effort to inform its members, the community, visitors and the general public about the functions and activities it performs. These communication activities not only inform our local community on activities within Vallejo, but also draw visitors to our city as well as generate editorial coverage in a variety of publications.

Social Media activities include the following:

- ◆ Establish an online presence for Visit Vallejo and aiding the branding of Vallejo.
- ◆ Providing new ways to market our Partners and community events using social media and video promotions to engage visitors and residents.
- ◆ Providing in-house graphics and content creation for Visit Vallejo to attract millennials and demographics of all ages.
- ◆ Assist the arts and community renaissance that is empowering the City of Vallejo.
- ◆ Produce podcasts and Facebook Live broadcasts featuring locals and focusing on uniqueness of Vallejo and build content on website and across the social platforms.
- ◆ Design a new but adaptive Vallejo logo to be used on t-shirts, tanks, hoodies and stickers and help build awareness and pride of Vallejo. Advertise on new Visit Vallejo online store.

Communications and public relations activities include the following:

- ◆ Send a weekly events e-newsletter and a monthly e-newsletter, *V-Town Views*, to 8,000+ readers.
- ◆ Maintain a current media kit containing press releases and Visit Vallejo information.
- ◆ Mail press releases to a continually updated media contact list.
- ◆ Conduct familiarization tours for travel writers and press.
- ◆ Maintain and distribute a calendar of events for activities in and around Vallejo.

G. PARTNERSHIP/MEMBERSHIP

Visit Vallejo maintains a steady membership base (approx. 200) representing a wide range of businesses and non-profits within our community and surrounding areas.

Partnerships are renewed annually, with new ones joining Visit Vallejo throughout the year. Membership Division activities include the following:

- ◆ Develop and conduct an attitude survey among our Partners and update value of a Visit Vallejo Partner/membership. Analyze current benefits and fee structure and develop recommendations for annual dues, enhanced value-added packages that might include advertising on the web site and more.
- ◆ Production of an annual Partner Directory (within the Visitors Guide).
- ◆ Distribution of Partnership plaques to new members and annual update stickers for renewed Partners.
- ◆ An annual luncheon in honor of National Tourism Week featuring a speaker from the tourism industry.
- ◆ Create and produce quarterly “Membership Connections” events, including the annual tourism luncheon in May, for members and prospective members to network and socialize with their peers in the hospitality industry.
- ◆ Advertising and trade show co-op opportunities throughout the year to stretch both the Visit Vallejo’s and Partner’s businesses budgets.
- ◆ Participation in the Visit Vallejo Lodging Committee and support with any activities generated by the Committee.

H. EDUCATIONAL CONFERENCES AND INDUSTRY MEETINGS

Visit Vallejo staff attends appropriate educational conferences throughout the year to keep abreast of current market trends and issues, and to enhance the Bureau’s operations and marketing programs to better serve its members. Additionally, local luncheons and mixers of various leisure and business travel organizations are attended to network with peers and gain information on our local markets.

<u>Conference/Meeting</u>	<u>Date</u>	<u>Location</u>
Visit CA Outlook Forum	Feb 2019	Southern CA
DMA West Tech Summit	March, 2019	Albuquerque, NM
California Conference on Tourism	Sept 10-13 2019	Los Angeles, CA



DATE: December 18, 2018
TO: Mayor and Members of the City Council
FROM: Judy Shepard-Hall, Housing & Community Development Manager
SUBJECT: **COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM BUDGET AMENDMENT**

RECOMMENDATION

Adopt a Resolution to amend the Fiscal Year (FY) 2018-19 Community Development Block Grant Program Budget (CDBG Program Budget) to increase the expenditure budget by \$601,128 and to reauthorize funding for projects and activities in progress.

REASONS FOR RECOMMENDATION

The City benefits from its use of CDBG Program funds. By reauthorizing the funding for activities in progress or not yet underway, the City is assisted in accomplishing its affordable housing and community development objectives. The federal government also requires the City to expend its CDBG Program funds in a timely manner. If the City fails to do so, these funds are recaptured.

BACKGROUND AND DISCUSSION

On July 24, 2018 the City Council approved CDBG Program activities for FY 2018-19 for the period beginning July 1, 2018 and ending June 30, 2019. Some of the activities completed in the prior fiscal year (2017-18) are completed and may be closed out. Other activities may be in progress or are not yet underway, and may be carried over. Funds for some activities may be reallocated if the activity does not proceed for any reason. The revised and proposed FY 2018-19 CDBG Program Budget is attached.

Staff has one main recommendation, which is the reallocation of \$81,612 in unused funds from various FY 2017-18 CDBG Program activities to the Permanent Supportive Housing Project located at Sacramento Street, as shown below. Staff anticipates the total cost for completion of the Sacramento Street will be significant.

Permanent Supportive Housing Project

Original FY 2018-19 Budget	\$ 669,625
Unspent FY 2017-18 Balance	36,797
Proposed Adjustment	+ <u>81,612</u>
Total Proposed Budget	\$ 788,034

In FY 2017-18, the Housing Successor Agency committed \$1.6 million of its Reserve Funds to this project. The City Council has also allocated HOME Program funds.

FISCAL IMPACT

As these are federal funds, there would be no fiscal impact to the City of Vallejo's General Fund.

The net effect of the recommendation is to increase the expenditure budget by \$601,128 in prior year funds not automatically carried over, and to reauthorize or reallocate funding in FY 2018-19 for CDBG Program activities and projects that are in progress, or are not yet underway.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	Resolution for FY 2018-19 CDBG Budget Amendment
2.	FY 2018-19 CDBG Program Budget Amendment (Figure 1)

CONTACT

Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408

judy.shepard-hall@cityofvallejo.net

RESOLUTION NO. _____ N.C.

**A RESOLUTION TO AMEND THE FISCAL YEAR (FY) 2018-19
CDBG PROGRAM EXPENDITURE BUDGET**

WHEREAS, on July 24, 2018 the City Council did adopt a Budget for the Fiscal Year (FY) 2018-19 federal Community Development Block Grant (CDBG) Program; and

WHEREAS, City Charter Section 703 requires that available funds not included in the Budget may be appropriated by the City Council after giving one week's notice of intention to do so; and

WHEREAS, staff is proposing that the revised CDBG Program expenditure budget be increased by \$601,128 in prior year funds in prior year funds not automatically carried over, as set forth in Figure 1 of this Resolution; and

WHEREAS, the Housing and Community Development Commission reviewed this item at its regular meeting of December 6, 2018 and recommended approval by the City Council; and

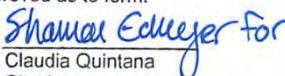
WHEREAS, on December 11, 2018 the City Council provided a Notice of Intention to amend the FY 2018-19 CDBG Program Budget; and

WHEREAS, the City Council has considered the report and recommendations of the City Manager on the Budget amendment, and has determined that the Budget amendment is both fair and appropriate.

**NOW, THEREFORE, THE COUNCIL OF THE CITY OF VALLEJO DOES HEREBY
RESOLVE AS FOLLOWS:**

Section 1. The Council of the City of Vallejo, pursuant to Charter Section 703, hereby amends the City's CDBG Program (Fund 101) Budget for FY 2018-19, by changing certain expenditure appropriations, as set forth in Figure 1 of this Resolution, which is by this reference incorporated herein; and

Approved as to form:

By:  Shamal Edmeyer for
Claudia Quintana
City Attorney

Section 2. The Council of the City of Vallejo hereby authorizes the City Manager or his designees to prepare and execute written Agreements and Amendments as may be necessary with subrecipient agencies and developers receiving FY 2018-19 CDBG Program funds.

BOB SAMPAYAN, MAYOR

ATTEST:

DAWN G. ABRAHAMSON, CITY
CLERK

CITY OF VALLEJO
CDBG PROGRAM BUDGET AMENDMENT, FISCAL YEAR (FY) 2018-19, FIGURE 1

	FY 2017-18			FY 2018-19								
	CDBG Program Activities A	Original Budget B	FY 2017-18 Final Budget [1] C	Unspent Entitlement Balance (IDIS) [2] 6/30/2018 D	Carryover from FY 2017-18			FY 2018-19 Adjustment			Total Proposed Adjustment J (G+H+I)	Total Proposed Budget K (E+F+J)
					Adopted FY 2018-19 Budget [3] E	Automatic Carryover - Existing P. O. or Agreement F	Carryover Proposed in Current Action G (D-F)	Additional FY 2018-19 HUD Funding H	Proposed Reallocation [4] I			
Program Administration (101-2102-463.xx-xx)	\$ 195,864	\$ 233,344	23,146	\$ 207,373	\$ -	\$ 23,146	\$ -	\$ -	\$ 23,146	\$ 230,519		
Staff Project Delivery (101-2104-463.40-68)	2,113	6,371	-	4,339	-	-	-	-	-	4,339		
Public Improvement Projects												
City Park Neighborhood Preservation Area (101-2104-463.40-20)		4,446	1	-	-	1	-	(1)	-	-		
Code Enforcement, Preservation Areas (101-2104-463.40-15)	40,000	32,545	12,868	-	-	12,868	-	(12,868)	-	-		
Curb Ramps (101-2104-463.40-18)		431,770	37,023	-	37,023	-	-	(36,876)	(36,876)	147		
South Vallejo Neighborhood Preservation Area (Winchester Street) Project Costs (101-2104-463.40-93)		744	-	-	-	-	-	-	-	-		
Staff Project Delivery (101-2104-463.40-58)		33,852	28,821	-	-	28,821	-	(28,821)	-	-		
Subtotal, South Vallejo	-	34,596	28,821	-	-	28,821	-	(28,821)	-	-		
Subtotal, Public Improvement Projects	40,000	503,357	78,713	-	37,023	41,690	-	(78,566)	(36,876)	147		
Housing Projects												
Closing Cost Grants (101-2104-463.40-60)		40,000	30,400	-	-	30,400	-	-	30,400	30,400		
Capitol Street Stairs (101-2104-463.45-01)	75,000		-	-	-	-	-	-	-	-		
First Time Homebuyer Assistance (101-2104-463.40-01)	209,280	201,570	161,570	-	-	161,570	-	-	161,570	161,570		
Owner-Occupied Rehabilitation (101-2104-463.40-04)	207,167	326,573	304,479	-	-	304,479	-	-	304,479	304,479		
Permanent Supportive Housing Acquisition/New Construction "Housing First", Sacramento Street (101-2104-463.40-99)	100,000	100,000	36,797	669,625	-	36,797	-	81,612	118,409	788,034		
Subtotal, Housing Projects	591,447	668,143	533,246	669,625	-	533,246	-	81,612	614,858	1,284,483		
Social Services												
Caminar Solano (101-2104-463.46-02)	-	-	-	9,000	-	-	-	-	-	9,000		
Catholic Charities of Solano (101-2104-463.40-51)	20,000	20,747	-	19,504	-	-	-	-	-	19,504		
CHDC - Homebuyer Education/Counseling (101-2104-463.40-91)	20,000	20,747	339	19,504	-	339	-	(339)	-	19,504		
Fair Housing Advocates of Solano (101-2104-463.45-02)	20,000	20,747	-	19,504	-	-	-	-	-	19,504		
Fighting Back Partnership (101-2104-463.40-45)	20,000	20,747	50	-	-	50	-	(50)	-	-		
Global Center for Success (101-204-463.40-52)	20,000	20,747	2,406	19,504	-	2,406	-	(2,406)	-	19,504		
The House of Acts (101-2104-463.40-41)	-	-	-	19,504	-	-	-	-	-	19,504		
Legal Services of Northern California (101-2104-463.45-03)	20,000	20,747	251	19,504	-	251	-	(251)	-	19,504		
Meals on Wheels of Solano County (101-2104-464.40-32) [5]	9,898	10,271	-	10,002	-	-	-	-	-	10,002		
Vallejo Senior Citizens' Council (101-2104-463.40-80)	20,000	20,747	-	19,504	-	-	-	-	-	19,504		
Subtotal, Social Services [6]	149,898	155,500	3,046	155,530	-	3,046	-	(3,046)	-	155,530		
TOTAL	\$ 979,322	\$ 1,566,715	\$ 638,151	\$ 1,036,867	\$ 37,023	\$ 601,128	\$ -	\$ -	\$ 601,128	\$ 1,675,018		
Notes:												
[1] Of the total FY 2017-18 budget of \$1,566,715, \$50,000 was estimated program income; \$12,126 in FY 2017-18 program income was unrealized.												
[2] IDIS: Integrated Disbursement and Information System; unspent Entitlement balance: \$638,151.												
[3] Of the total FY 2018-19 budget of \$1,036,867, \$15,000 is projected FY 2018-19 program income.												
[4] A total of \$81,612 is proposed for reallocation to Permanent Supportive Housing												
[5] Meals on Wheels also received an allocation of \$16,800 from the General Fund in FY 2018-19.												
[6] Unspent social services funds in amount of \$3,046 not eligible to be carried over and expended on social service activities in FY 2018-19.												



DATE: December 18, 2018
TO: Mayor and Members of the City Council
FROM: Judy Shepard-Hall, Housing & Community Development Manager
SUBJECT: HOME INVESTMENT PARTNERSHIPS PROGRAM BUDGET AMENDMENT

RECOMMENDATION

Adopt a Resolution to amend the Fiscal Year (FY) 2018-19 HOME Investment Partnerships Program Budget (Home Program) to increase the expenditure budget by \$1,990,319 and reauthorize funding for projects and activities in progress.

REASONS FOR RECOMMENDATION

The City benefits from its use of HOME Program funds. This program is a grant to the City that is used – often in partnership with local nonprofit groups – to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership, or providing direct rental assistance to low-income households. By reauthorizing the funding for activities in progress or not yet underway, the City is assisted in accomplishing its affordable housing objectives. The federal government also requires the City to commit its HOME Program funds in a timely manner. If the City fails to do so, these funds are recaptured.

BACKGROUND AND DISCUSSION

On July 24, 2018 the City Council approved HOME Program activities for FY 2018-19 for the period beginning July 1, 2018 and ending June 30, 2019. Some of the activities completed in the prior fiscal year (2017-18) are completed and may be closed out. Other activities may be in progress or are not yet underway, and may be carried over. Funds for some activities may be reallocated if the activity does not proceed for any reason. The revised and proposed FY 2018-19 HOME Program Budget is attached.

Staff has one main recommendation, which is the reallocation of \$313,771 in unused funds from various FY 2017-18 HOME Program activities to the Permanent Supportive Housing Project located at Sacramento Street, as shown below. Staff anticipates the total cost for completion of the Sacramento Street will be significant.

Permanent Supportive Housing Project

Original FY 2018-19 Budget	\$ 525,165
Unspent FY 2017-18 Balance	1,609,871
Proposed Adjustment	+ <u>313,771</u>
Total Proposed Budget	\$2,448,807

Housing Successor Agency and CDBG Program funds have also been allocated to this activity.

Temporary Tenant-Based Rental Assistance (TBRA) Program

In FY 2017-18, more than \$500,000 in funding was allocated to tenant-based rental assistance. The purpose of this program is to assist very low-income families in Vallejo who are homeless, or are at imminent risk of homelessness. Qualified families are provided with monthly rental assistance for up to twelve months, and if needed, a one-time security deposit of up to \$1,000. This program continues to be used, but not at the funding level originally anticipated. Therefore, \$213,234 of the \$313,771 recommended for reallocation to the Sacramento Street Project would be accomplished through a reduction in the TBRA funding allocation, as shown below.

TBRA

Original FY 2018-19 Budget	\$ - 0 -
Unspent FY 2017-18 Balance	413,324
Proposed Adjustment	+ (213,324)
Total Proposed Budget	\$ 200,000

FISCAL IMPACT

The net effect of the recommendation is to increase the expenditure budget by \$1,990,319 in prior year funds not automatically carried over, and to reauthorize or reallocate funding in FY 2018-19 for HOME Program activities and projects that are in progress, or are not yet underway. As these are federal funds, there would be no fiscal impact to the General Fund.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	Resolution for FY 2018-19 HOME Budget Amendment
2.	FY 2018-19 HOME Program Budget Amendment (Figure 1)

CONTACT

Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408
judy.shepard-hall@cityofvallejo.net

RESOLUTION NO. _____ N.C.

**A RESOLUTION TO AMEND THE FISCAL YEAR (FY) 2017-18
HOME PROGRAM EXPENDITURE BUDGET**

WHEREAS, on July 24, 2018 the City Council did adopt a Budget for the Fiscal Year (FY) 2018-19 federal HOME Investment Partnerships Program; and

WHEREAS, City Charter Section 703 requires that available funds not included in the Budget may be appropriated by the City Council after giving one week's notice of intention to do so; and

WHEREAS, staff is proposing that the revised HOME Program expenditure budget be increased by \$1,990,319 in prior year funds not automatically carried over, as set forth in Figure 1 of this Resolution; and

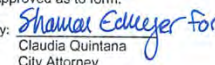
WHEREAS, the Housing and Community Development Commission reviewed this item at its regular meeting of December 6, 2018 and recommended approval by the City Council; and

WHEREAS, on December 11, 2018 the City Council provided a Notice of Intention to amend the FY 2018-19 HOME Program Budget; and

WHEREAS, the City Council has considered the report and recommendations of the City Manager on the HOME Program Budget Amendment, and has determined that the HOME Program Budget Amendment is both fair and appropriate.

**NOW, THEREFORE, THE COUNCIL OF THE CITY OF VALLEJO DOES HEREBY
RESOLVE AS FOLLOWS:**

Section 1. The Council of the City of Vallejo, pursuant to Charter Section 703, hereby amends the City's HOME Program (Fund 102) Budget for FY 2018-19, by changing certain expenditure appropriations, as set forth in Figure 1 of this Resolution, which is by this reference incorporated herein; and

Approved as to form:
By:  for
Claudia Quintana
City Attorney

Section 2. The Council of the City of Vallejo hereby authorizes the City Manager or his designees to prepare and execute written Agreements and Amendments as may be necessary with subrecipient agencies and developers receiving FY 2018-19 HOME Program funds.

BOB SAMPAYAN, MAYOR

ATTEST:

DAWN G. ABRAHAMSON, CITY

CLERK

CITY OF VALLEJO
HOME PROGRAM BUDGET AMENDMENT, FISCAL YEAR (FY) 2018-19, FIGURE 1

	FY 2017-18						FY 2018-19						
							Proposed Adjustment						
							Carryover from FY 2017-18						
	FYI Only Original FY 2017-18	Final Approved FY 2017-18	Unspent Entitlement Balance (IDIS) [3]	Unspent Program Income Balance (IDIS)	Unused Non-Federal Match	Total FY 2017-18	Adopted FY 2018-19 Budget [4]	Automatic Carryover- Existing P.O. or Agreement	Carryover Proposed in Current Action	Additional FY 2018-19 HUD Funding	Proposed Reallocation [9]	Total Proposed Adjustment	Total Proposed Budget
A	B	C	D	E	F	G	H	I	J	K	L	M	
					(C+D+E)			(F-H)			(I+J+K)	(G+H+L)	
HOME Program Activities													
Program Administration (102-2101-463.xx-xx)	\$ 60,127	\$ 62,785	\$ 10	\$ -	\$ -	\$ 10	\$ 71,945	\$ -	\$ 10	\$ -	\$ -	\$ 10	\$ 71,955
CHDC - CHDO Project (102-2101-463.40-61)	60,191	173,530	167,114	-	-	167,114	120,550	-	167,114	-	-	167,114	287,664
Rehabilitation Loans (102-2101-463.40-62)													
Acqu/Rehab/Resale (Foreclosures) [5]		270,000	-	200,689	-	200,689	-	200,689	-	(100,447)	(100,447)	100,242	
Subtotal, Rehabilitation Loans	-	270,000	-	200,689	-	200,689	-	200,689	-	(100,447)	(100,447)	100,242	
Tenant-Based Rental Assistance (TBRA) (102-2101-463.40-65) [6]	-	551,239	180,001	233,323	-	413,324	-	200,000	213,324	-	(213,324)	-	200,000
CHDC - CHDO Admin. (102-2101-463.40-67)	30,064	21,388	-	-	-	-	-	-	-	-	-	-	-
Staff Project Delivery (102-2101-463.40-68) [7]	2,454	6,216	-	-	-	-	1,788	-	-	-	-	-	1,788
Permanent Supportive Housing (102-2101-463.40-95) [8]	448,437	1,791,083	860,096	442,453	307,322	1,609,871	525,165	-	1,609,871	-	313,771	1,923,642	2,448,807
TOTAL	\$ 601,273	\$ 2,876,241	\$ 1,207,221	\$ 876,465	\$ 307,322	\$ 2,391,008	\$ 719,448	\$ 400,689	\$ 1,990,319	\$ -	\$ -	\$ 1,990,319	\$ 3,110,456
Notes:													
[1] Of this amount, \$200,000 was projected program income.													
[2] Adopted Budget included \$307,322 in non-federal matching funds.													
[3] IDIS: Integrated Disbursement and Information System; unspent Entitlement balance: \$1,207,221.													
[4] Of this amount, \$100,000 is projected program income.													
[5] Of the amount of \$69,311 expended on this activity, \$42,341 was non-federal match, and \$26,970 was prior year HOME program income.													
[6] Of the amount of \$137,915 expended on this activity, \$17,971 was non-federal match, and \$119,944 was program income.													
[7] Of the amount of \$6,216 expended on this activity, \$4,733 was current year program income.													
[8] Of the amount of \$448,437 expended on this activity, \$355,617 was prior year program income.													
[9] A total of \$313,771 is proposed for reallocation to Permanent Supportive Housing.													



DATE: December 18, 2018
TO: Mayor and Members of the City Council
FROM: Judy Shepard-Hall, Housing & Community Development Manager
SUBJECT: **FISCAL YEAR 2019-20 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AND HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDING PROCESS**

RECOMMENDATION

Authorize the City Manager to approve a process for the allocation of Fiscal Year (FY) 2019-20 Community Development Block Grant (CDBG) and Home Investment Partnerships Program Funding (HOME Program) funds as outlined in the Staff Report.

REASONS FOR RECOMMENDATION

The City has received annual funding allocations of Community Development Block Grant (CDBG) and HOME Investment Partnerships Program funds from the U. S. Department of Housing and Urban Development (HUD) since 1974 and 1990, respectively. These funds have helped the City to address its affordable housing and community development needs. The City Council typically approve a process for determining activities and projects every one or two years.

BACKGROUND AND DISCUSSION

This agenda item marks the beginning of a process to determine the allocation of FY 2019-20 CDBG and HOME Program funds to projects and activities as part of implementing the City's Five Year Consolidated Plan (Consolidated Plan). FY 2019-20 begins July 1, 2019. Staff proposes that the City Council approve the recommended funding process and criteria discussed in this report.

CDBG Program funds may be used for such projects as affordable housing, housing and neighborhood preservation or revitalization, public improvements in target area neighborhoods, curb ramps, social services, and economic development. HOME Program funds may be used only to support affordable housing.

The Housing and Community Development Commission, at its regular meeting on December 6, 2018, scheduled to recommend that the City Council approve the funding process described in this report.

Availability of Funds

For FY 2018-19, the current fiscal year, the City allocated \$1,036,867 in new CDBG Program funds. Of this amount, \$15,000 is revenue (program income) that the City anticipates it will receive in FY 2018-19, primarily from principal and interest loan repayments. The balance (\$1,021,867) is grant ("entitlement") funds the City received from HUD.

The City also received \$619,448 in new HOME Program funds from HUD for FY 2018-19, and estimated that

Subject: FISCAL YEAR 2019-20 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AND HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDING PROCESS

it would additionally receive \$100,000 in program income, also from loan repayments, for a total of \$719,448. Fifteen percent of the City's annual HOME Program grant received directly from HUD must be allocated to a qualified Community Housing Development Organization, (or "CHDO"). A CHDO is a non-profit affordable housing developer whose primary purpose is the development or management of housing.

The funding levels for FY 2019-20 are uncertain at this time. However, in order to adhere to the City's typical timeline and complete a funding process by May 15, staff recommends the City proceed on the assumption that it may receive approximately the same amount in CDBG Program and HOME Program funds in FY 2019-20 as it did in FY 2018-19.

Background

High Priority Needs – The Consolidated Plan is a five year planning document required by HUD in order for the City to receive certain federal affordable housing and community development funds. It documents in detail affordable housing and community development needs in Vallejo. The Plan contains data on the characteristics of the housing market and the existing housing stock, an assessment of affordable housing needs, and the resources available to address those needs. The City's current Consolidated Plan was approved by the City Council in May, 2015. The Plan includes the period beginning July 1, 2015 and ending June 30, 2020.

The Consolidated Plan has established the following groups as the most in need of assistance, in this order of priority: (1) very low- and low-income renters; (2) homeless persons, (3) non-homeless persons with special needs, and (4) very low- and low-income first time homebuyers.

The Plan also contains quantifiable goals and objectives in the areas of housing, target expenditures for the installation of public improvements and curb ramps, and providing social services. To date, the City has made significant progress in achieving its five year and annual goals.

Because the City will be taking on the development of a permanent supportive housing property as discussed below, staff does not recommend that the City accept CDBG or HOME Program applications for funding in FY 2019 -20 for housing activities/projects or public improvements other than those described below.

Housing – The Consolidated Plan documents a need for the development of affordable rental ownership housing; supportive housing for persons with special needs; first time homebuyer assistance; the acquisition, rehabilitation, and resale of foreclosed and short sale properties to stabilize neighborhoods; and services appropriate to address the needs of the unsheltered and chronically homeless population in the community.

Social Services- According to HUD guidelines, the City may allocate a maximum of fifteen percent of its CDBG Program funds each year to social service activities. In FY 2018-19, the City allocated \$155,530 to nine social service agencies.

The social service agencies receiving CDBG Program funds with direct benefit that serve vulnerable residents of the community, including the elderly, disabled, and very low-income and homeless persons. In FY 2018-19, they include such organizations as Meals on Wheels, Vallejo Senior Citizens' Council, Catholic Charities of

Subject: FISCAL YEAR 2019-20 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AND HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDING PROCESS

Solano, and Global Center for Success. Receiving these funds also enables many organizations to leverage other funding sources. Therefore, staff recommends that the City accept social service applications in FY 2019-20.

Staff estimates that there will be approximately \$150,000 available to allocate to social service programs in FY 2019-20. Staff further recommends that as in past years, the minimum funding allocation to each social service activity be \$20,000, and that there be no maximum. Staff believes that with limited funding, and numerous regulations mandated by HUD, it is not cost effective for the City to allocate less than \$20,000 per social service program and still meet the administrative requirements of the program. In some cases, the Commission and the City Council may wish to allocate more than \$20,000 to a program.

Program Administration – HUD regulations allow the City to allocate up to twenty percent and ten percent of its CDBG and HOME Program funds, respectively, each year to program administration. These funds are used for general management, oversight, and coordination of these programs by staff; and for providing public information.

Staff anticipates the City will need to allocate the full amount allowed in this category in FY 2019-20 to administer these programs effectively, and to ensure that program requirements are met.

Proposed Process for Requesting CDBG Program Funds from Social Service Agencies

The City would accept applications from social service organizations that will address the top priority needs in the Consolidated Plan, as described below.

Evaluation of Applications – Staff proposes the following criteria be used in screening and evaluating applications from social service agencies:

An agency must propose to address the needs of one of the following populations: (1) homeless single men in need of emergency shelter, (2) unsheltered homeless persons in need of appropriate supportive services, (3) homeless individuals in need of permanent housing, (4) very low- and low-income families with children, (5) homeless families with children in need of permanent housing, (6) supportive services for persons with HIV/AIDS, (7) supportive permanent housing for the severely mentally ill, (8) treatment and prevention programs for persons with substance abuse addictions, (9) programs meeting the needs of the elderly and disabled, and (10) victims of domestic violence. If awarded funding, agencies maintain household income and related documentation to verify benefit and services to one of these populations.

Agencies must document that they are chartered as a 501 (c) 3 organization, submit other eligibility documents, and provide evidence that they are fiscally sound. All applicants will submit a proposed CDBG Program budget (simple line item) for direct costs only, an overall organizational budget, and a financial audit or financial statements as applicable. All applicants must also submit written fiscal and personnel policies and procedures.

According to HUD guidelines, the City must expend CDBG Program funds promptly. Therefore, staff recommends that the City consider funding social service activities that have the best chance to be delivered

Subject: FISCAL YEAR 2019-20 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AND HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDING PROCESS

in a timely manner.

Proposed Availability of Application, and Application Deadline – Staff proposes to prepare an application for social service organizations to complete and to make them available by or before Wednesday, February 6, 2019, with a deadline for organizations to return completed applications not later than 3:00 p. m. (PST) on Wednesday, March 6, 2019.

In fairness to those agencies that participate in the funding process from the beginning, and to ensure an orderly process, staff recommends that the Commission and the City Council not consider any application that is submitted after the March 6, 2019 deadline, or that is substantially incomplete, with no exceptions. After February 6 but prior to March 6, staff will hold a mandatory briefing session to prospective applicants for funding to review the program requirements and provide technical assistance on the social services application. The City will not accept an application for funding from a social service organization that does not attend a briefing.

FY 2019-20 Funding Agreements – After the City Council allocates CDBG Program and HOME Program funds in Spring of 2019, agencies awarded funding will execute an Agreement with the City in a timely manner. Some of the elements in the Agreement are: (1) quarterly reports must be submitted; (2) City staff will conduct quarterly reviews or meetings with the agencies, and on-site monitoring visits at the social service locations to review client and agencies files and records as needed, and program progress; (3) agencies will be reimbursed based on “cost per client” performance, i. e., the delivery of goals and objectives in the Scope of Services, or actual expenses, whichever is less.

FISCAL IMPACT

If approved, the City Council's action will establish a funding process for the allocation of CDBG and HOME Program funds in FY 2019 -20. The City's application for FY 2019-20 CDBG and HOME Program funds, also known as an “Action Plan”, must be received by HUD by not later than May 15, 2019. There is no fiscal impact to the General fund associated with this item.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

None

CONTACT

Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408

judy.shepard-hall@cityofvallejo.net



DATE: December 18, 2018
TO: Mayor and Members of the City Council
FROM: Michael Malone, Water Director
SUBJECT: **AMEND THE FY 2018-19 BUDGET AND AWARD CONSTRUCTION CONTRACT FOR WATER MAINS CIP FY 2018-19 PROJECT**

RECOMMENDATION

1. Adopt a Resolution amending the Water Mains CIP FY2018-19 Project budget by transferring \$200,000 from the City Water Operating Fund balance, increasing the project budget to \$1.2M.
2. Adopt a Resolution approving the plans and specifications for the Water Mains Capital Improvements FY 2018-19 Project and authorize the City Manager to award a construction contract in the amount of \$1,138,270 to Team Ghilotti, Inc., of Petaluma, CA, in accordance with the approved plans and specifications.

REASONS FOR RECOMMENDATION

Team Ghilotti, Inc., of Petaluma, CA, submitted the lowest responsible and responsive bid of \$1,138,270 for the Water Mains Capital Improvements FY18-19 Project.

BACKGROUND AND DISCUSSION

Each fiscal year, the Water Department undertakes the replacement and reconstruction of failing old and undersized mains within the City of Vallejo’s water system. With approved budget available this fiscal year, the Water Department has scheduled for replacement of the water mains on Edgemont Avenue, Maurer Way, Mountainview Avenue, and Bayview Avenue.

The Department prepared the plans, specifications and bid documents for the project, which includes the installation of approximately 4,754 linear feet of 8” PVC C-900 pipe; 122 water services, 13 gate valves, 7 fire hydrants assemblies including tie-ins, tie-ins, miscellaneous fittings, trench paving, and all other work and facilities necessary or incidental to construct and complete the project.

When completed, the project will improve water system service and reliability, and increase fire flows in the vicinity of the improvements.

On October 25, 2018, the City received nine (9) bids for the Water Mains Capital Improvements Project:

<u>BIDDER</u>	<u>AMOUNT</u>
1. Team Ghilotti, Inc., Petaluma, CA	\$1,138,270
2. Maggiora & Ghilotti, Inc., San Rafael, CA	\$1,269,269

Subject: AMEND THE FY 2018-19 BUDGET AND AWARD CONSTRUCTION CONTRACT FOR WATER MAINS CIP FY 2018-19 PROJECT

3. Argonaut Constructors, Santa Rosa, CA	\$1,275,980
4. D&D Pipelines, Inc., San Anselmo, CA	\$1,283,100
5. Kerex Engineering, Inc., Pleasant Hill, CA	\$1,377,566
6. Lister Construction, Inc., Vacaville, CA	\$1,494,770
7. California Trenchless, Inc., Hayward	\$1,582,970
8. Cratus, Inc., San Francisco, CA	\$1,776,500
9. W.R. Forde Associates, Inc., Richmond, CA	\$1,249,486

Team Ghilotti, Inc., of Petaluma, CA, submitted the lowest responsible and responsive bid in the amount of \$1,138,270. Staff reviewed Team Ghilotti’s bid documents, confirmed the validity of their Contractor’s License, and verified the Contractor’s relevant work experience and found them to be in order. Therefore, staff recommends awarding the contract to Team Ghilotti.

This proposed action is the second step of the City Charter-required two-step budget amendment process following the City Council’s action on December 11, 2018, where the City Council received and filed a notice of intent to amend the FY 2018-19 Water Enterprise budget to add \$200,000 to the project. The additional funding is needed to augment the existing \$1 million dollar project appropriation in order to cover the lowest responsible and responsive bid obtained to construct the project.

FISCAL IMPACT

Approval of this item will increase FY 18-19 Water Enterprise Fund expenditures by \$200,000 for the Water Main CIP FY18-19 Project bid number WT8050, project funding number WT050. The notice of intent to amend the project budget was received and filed by City Council on December 11, 2018. The source of the funding is unreserved, unencumbered fund balance in the City Water Operating Fund (#401). The mechanism required is a \$200,000 increase in funds transferred from the City Water Operating Fund (#401) to the City Water Capital Fund (#404) to support water capital improvement projects. With approval of this additional funding brings the project budget to \$1.2 million, which will be sufficient to support the \$1,138,270 contract.

There is no fiscal impact on the City's General Fund.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines 15302(c) as it consists of the replacement or reconstruction of existing utility systems and/or facilities involving negligible or no expansion of capacity. A Notice of Categorical Exemption has been filed for the project.

ATTACHMENTS

1.	Draft WM CIP FY18-19 Project Award Resolution stamped
2.	Draft Reso to add \$200K to WM CIP FY18-19 12-18-18 CC stamped

CONTACT

Mike Malone, Water Director, 707-648-4308

mike.malone@cityofvallejo.net

RESOLUTION NO. 18-____ N.C.

BE IT RESOLVED by the Council of the City of Vallejo as follows:

WHEREAS, plans and specifications have been prepared by the Water Department for the Water Mains Capital Improvements FY18-19 Project No. WT8050 within the City of Vallejo, Solano County, California; and

WHEREAS, the City advertised for and publicly opened bids on October 25, 2018; and received nine bids to construct the project; and

WHEREAS, Team Ghilotti, Inc., of Petaluma, California, submitted the lowest responsible bid in the amount of \$ 1,138,270.00; and

WHEREAS, Staff has reviewed the bid documents and found them in order; and

WHEREAS, funding for these improvements is available in the City Water Capital Fund (#404) (Project No. WT050); and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Vallejo, as follows:

That those certain plans and specifications prepared by Water Department for the Water Mains Capital Improvements FY18-19 Project No. WT8050 within the City of Vallejo, Solano County, California be and the same are hereby approved and adopted for said work.

BE IT FURTHER RESOLVED by the City Council of the City of Vallejo:

That an invitation for bids was duly advertised and Team Ghilotti, Inc., Petaluma, California, was determined to be the lowest responsive and responsible bidder in the amount of One Million One Hundred Thirty-Eight Thousand Two Hundred Seventy Dollars and Zero Cents (\$ 1,138,270.00), and is hereby accepted and a contract is awarded to said low bidder at the prices bid.

BE IT FURTHER RESOLVED that all other base bids to-wit:

BIDDER	AMOUNT
Maggiora & Ghilotti, Inc., San Rafael, CA	\$1,269,269.00
Argonaut Constructors, Santa Rosa, CA	\$1,275,980.00
D&D Pipelines, Inc., San Anselmo, CA	\$1,283,100.00
Kerex Engineering, Inc., Pleasant Hill, CA	\$1,377,566.00
Lister Construction, Inc., Vacaville, CA	\$1,494,770.00
California Trenchless, Inc., Hayward, CA	\$1,582,970.00
Cratus, Inc., San Francisco, CA	\$1,776,500.00
W.R. Forde Associates, Inc., Richmond, CA	\$1,249,486.00

are hereby deemed rejected upon full execution of the Contract Documents by the successful bidder, with notice of rejection to be given thereupon by the City Clerk.

BE IT FURTHER RESOLVED that the City Manager or his designee is hereby authorized to sign an agreement substantially the same as the "Contract for Water Mains Capital Improvements FY18-19 No. WT8050", with any modifications recommended by the City Attorney or the Risk Manager, between the City of Vallejo and Team Ghilotti, Inc., CA, for the above described work and the City Clerk to attest the signing of that certain agreement.

BE IT FURTHER RESOLVED that the City Manager or his designee is hereby authorized to execute future Contract Change Orders not to exceed the remaining appropriated project budget.


ADOPTED by the City Council of the City of Vallejo at a regular meeting held on December 18, 2018 by the following vote:

AYES:
NOES:
ABSENT:
ABSTENTIONS:

BOB SAMPAYAN, Mayor

ATTEST: _____
DAWN G. ABRAHAMSON, City Clerk

Approved as to form:

By: 

Claudia Quintana
City Attorney

RESOLUTION NO. _____ N.C.

A RESOLUTION AMENDING THE FISCAL YEAR 2018-19 BUDGET TO APPROPRIATE \$200,000 FOR THE WATER MAIN CAPITAL IMPROVEMENT PROJECT FY 2018-19

WHEREAS, the City has previously budgeted a total of \$1.0 million for the Water Main Capital Improvement Project FY 2018-19 to replace water mains; and

WHEREAS, additional funding of \$200,000 is required to fund the project based on bids received on October 25, 2018; and

WHEREAS, on June 12, 2018, the City Council did adopt a budget for Fiscal Year 2018-19; and


WHEREAS, City Charter Section 703 requires that available funds not included in the budget may be appropriated by the City Council after giving one week's notice to do so; and

WHEREAS, notice was provided on December 11, 2018; and

WHEREAS, there is \$200,000 in unreserved, unencumbered fund balance in the City Water Operating Fund (#401) available for transfer to the City Water Capital Fund (#404) to augment the Water Main Capital Improvement Project FY 2018-19.

NOW, THEREFORE, BE IT RESOLVED that the Council hereby amends the Water Enterprise Budget for Fiscal Year 2018-19 by transferring \$200,000 from City Water Operating Fund balance to the City Water Capital Fund in order to increase the Water Main Capital Improvement Project FY 2018-19 to a new total amount of \$1.2 million.

Approved as to form:

By: 

Claudia Quintana
City Attorney



DATE: December 18, 2018
TO: Mayor and Members of the City Council
FROM: Judy Shepard-Hall, Housing & Community Development Manager
**SUBJECT: MEMORANDUM OF UNDERSTANDING WITH COMMUNITY ACTION PARTNERSHIP
SOLANO JOINT POWERS AUTHORITY FOR COORDINATED ENTRY**

RECOMMENDATION

Adopt a resolution approving a Memorandum of Understanding (MOU) with the Community Action Partnership Solano Joint Powers Authority (CAP Solano JPA) for a Coordinated Entry System.

REASONS FOR RECOMMENDATION

The MOU (Attachment 2) by and between CAP Solano JPA, Solano County, and the Cities of Benicia, Dixon, Fairfield, Rio Vista, Suisun City, Vacaville, and Vallejo will enable the expansion of the coordinated entry system to address homelessness in Solano County.

In FY 2017-18, CAP Solano secured a limited amount of federal funds to establish a rudimentary coordinated entry system. The attached MOU will provide additional funding to expand the existing coordinated entry system to better serve and connect those experiencing homelessness in Solano County to housing and resources.

BACKGROUND AND DISCUSSION

In 1999, Solano County and various cities in the county formed CAP Solano JPA with the purpose of addressing homelessness in Solano County in a coordinated fashion. In 2017, CAP Solano produced a 5-year regional strategic plan, "Neighbors Helping Neighbors: Forward Together," to respond to homelessness in Solano County. The goals established in the strategic plan include: improving system navigation, increasing the supply of affordable and deeply affordable housing, and strengthening support systems to help residents maintain housing.

The MOU between the county and all of its cities that the City Council is being asked to adopt addresses system navigation by creating a coordinated entry system that provides a standardized approach to comprehensively assess the housing and service needs of homeless individuals and their families and refer them to appropriate available resources needed to end their homelessness. It is important to note that coordinated entry is required for U.S. Department of Housing and Urban Development grants.

The existing coordinated entry system, Resource Connect Solano, is operated by Caminar and consists of approximately 2.5 full-time equivalent (FTEs) outreach workers.

In FY 2017-18, the City of Vallejo provided an additional \$35,000 of Measure B funding from the Cycle 2 Participatory Budgeting project "Help the Homeless" to enhance Resource Connect Solano's presence in

**Subject: MEMORANDUM OF UNDERSTANDING WITH COMMUNITY ACTION PARTNERSHIP SOLANO
JOINT POWERS AUTHORITY FOR COORDINATED ENTRY**

Vallejo, dedicating 0.5 FTEs specifically for Vallejo residents at their Tuolumne Street office.

Should the County and all its cities adopt this MOU, CAP Solano JPA will be tasked with overseeing the expansion of the coordinated entry system. This will include an additional four (4) full-time equivalent employees to effectively administer, promote, and grow the coordinated entry system, along with staffing dedicated to identify housing opportunities for individuals experiencing homelessness. Funds will also be used to establish innovative programs to increase the supply of private housing opportunities for homeless individuals. Annual reports to the County and all of its cities reporting on progress in achieving key milestones at 12 months, 24 months, and 36 months is required.

FISCAL IMPACT

The MOU obligates Solano County and all of its cities to contribute \$953,315 over a three-year timeframe. The three-year budget has been divided equitably among the members of CAP Solano JPA. Of the total, Vallejo’s share is \$210,041 (22% of the total) -- \$68,632 in year 1, \$70,005 in year 2, and \$71,405 in Year 3.

Funding for Year 1 (\$68,632) was allocated in the FY 2018-19 General Fund Adopted Budget, therefore there is no additional fiscal impact on the General Fund.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	121818_Coordinated Entry_RESO
2.	121818_Cordinate Entry MOU SE

CONTACT

Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408
judy.shepard-hall@cityofvallejo.net

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALLEJO APPROVING A MEMORANDUM OF UNDERSTANDING BETWEEN THE COMMUNITY ACTION PARTNERSHIP OF SOLANO, JOINT POWERS AUTHORITY, SOLANO COUNTY, AND THE CITIES OF BENICIA, DIXON, FAIRFIELD, RIO VISTA, SUISUN CITY, VACAVILLE, AND VALLEJO REGARDING THE COORDINATED ENTRY SYSTEM

WHEREAS, the City of Vallejo has adopted a comprehensive strategy to address homelessness and has undertaken multiple efforts at the local level to combat homelessness, including, but not limited to participating on the Board of Directors of Community Action Partnership of Solano (CAP Solano) to coordinate regional efforts to address homelessness; and

WHEREAS, CAP Solano created a 5-year regional strategic plan, “Neighbors Helping Neighbors,” to respond to homelessness in Solano County; and

WHEREAS, a key component of the City of Vallejo’s strategy to address homelessness includes implementing the regional plan and coordinating with Solano County and all of its cities; and

WHEREAS, one of the key goals of the 5-year regional plan is to create a coordinated entry system for the homeless in Solano County, which is required by the U.S. Department of Housing and Urban Development; and

WHEREAS, coordinated entry is a system for accessing housing and services that features standardized assessment of individuals across jurisdictions, prioritization to ensure that those most in need of assistance are prioritized for housing and related services, and matching clients to the housing and resources that meets their needs; and

WHEREAS, in Fiscal Year 2017-18 CAP Solano launched the county’s first coordinated entry system “Resource Connect Solano”; and

WHEREAS, in Fiscal Year 2017-18 the City of Vallejo contributed additional Measure funds of \$35,000 to enhance coordinated entry specifically in Vallejo by adding a part-time navigator dedicated to Vallejo at Resource Connect Solano’s offices at 909 Tuolomne Street; and

WHEREAS, the Memorandum of Understanding will create a long-term and sustainable coordinated entry resource, which is necessary to establish an effective system to address homelessness.

Approved as to form:
By: *Shamari Edmeyer for*
Claudia Quintana
City Attorney

NOW, THEREFORE, THE COUNCIL OF THE CITY OF VALLEJO HEREBY RESOLVES THAT:

Section 1. The City Council of the City of Vallejo approves the Memorandum of Understanding by and between the County and all of its cities regarding coordinated entry.

Section 2. The city manager is authorized to execute the Memorandum of Understanding and to do all other things deemed necessary to implement this resolution.



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

A MEMORANDUM OF UNDERSTANDING BETWEEN THE COMMUNITY ACTION PARTNERSHIP OF SOLANO, JOINT POWERS AUTHORITY; SOLANO COUNTY; AND THE CITIES OF BENICIA, DIXON, FAIRFIELD, RIO VISTA, SUISUN CITY, VACAVILLE, AND VALLEJO REGARDING THE HOUSING FIRST SOLANO CONTINUUM OF CARE COORDINATED ENTRY SYSTEM

CAP Solano JPA

Attention:

Kathy Lawton-Caesar,
Chair/Executive Director
701 Civic Center Blvd.
Suisun City, CA 94585

707.428.7749

707.428.7798

capsolanojpa.org

This Memorandum of Understanding, hereinafter referred to as “MOU,” is made effective DATE by and between the Community Action Partnership of Solano, Joint Powers Authority, hereinafter referred to as the “JPA;” Solano County, hereinafter referred to as the “County”; and the Cities of Benicia, Dixon, Fairfield, Rio Vista, Suisun City, Vacaville, and Vallejo, hereinafter referred to as the “Cities”; individually, a “Party”; and collectively, the “Parties.”

RECITALS

JPA Board of Directors

Kathy Lawton-Caesar,
Chair
City of Suisun City

Emily Cantu, Vice-Chair
City of Vacaville

Dawn La Bar, Secretary
City of Fairfield

Sgt. MarJonne Roberson
City of Benicia

Issac George
City of Rio Vista

Will Morat
City of Vallejo

Tonya Nowakowski
Solano County

WHEREAS the JPA is charged with providing oversight and coordination of homeless and safety net services to the residents of the County and Cities; serving as the conduit for safety net funding support; administering such funds and making grants available to other non-profit entities that provide services to people experiencing homelessness; setting policy and being the central agency for the oversight and technical assistance for the operation of homeless shelters, transitional housing, homeless assistance centers, community action councils and other safety net services; and undertaking such other programs as its Board of Directors may authorize, including such duties and tasks required to receive and distribute federal, state, local, and other funding to support the JPA’s mission; and

WHEREAS the Continuum of Care that coordinates the provision of housing and supportive services addressing homelessness in the County and Cities is known as the Housing First Solano Continuum of Care, hereinafter referred to as the “CoC”; and

WHEREAS in March 2017, the JPA released “Neighbors Helping Neighbors: Forward Together,” a five-year regional strategic plan to respond to homelessness in Solano County, hereinafter referred to the “Regional Strategic Plan.” The decision to develop the Regional Strategic Plan was a collective one made by the County and Cities, who came to realize that a regional approach was necessary to effectively respond to homelessness both immediately and in the long-term; and

Approved as to form:
By: *Shamail Edmeyer* For
Claudia Quintana
City Attorney

WHEREAS one of the key core goals recommended by the Regional Strategic Plan is to improve system navigation by 1) increasing outreach and engagement; 2) reducing the number of people entering the homeless assistance system; 3) improving system-wide communication, collaboration, and coordination; and 4) increasing the supply and diversity of housing and service options to accommodate varied needs of priority subpopulations; and



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

WHEREAS Coordinated Entry provides a standardized approach to comprehensively assess the housing and service needs of homeless individuals and families and refer them to appropriate available resources that are needed to end their homelessness; and

WHEREAS the U.S. Department of Housing and Urban Development (HUD) requires recipients of Continuum of Care and Emergency Solutions Grants (ESG) Program funding to use a coordinated assessment system, under the authority of the Continuum of Care Program Interim Rule, 24 CFR § 578; the Emergency Solution Grant Program Interim Rule, 24 CFR § 576; and HUD Notice CPD-17-01; and

WHEREAS Coordinated Entry connects the community's network of homeless services and housing resources while streamlining, standardizing, and coordinating the current homeless intake, assessment, and referral process; and

WHEREAS homeless individuals and families, especially highly vulnerable individuals and families who are homeless, are Coordinated Entry's principal users; and

WHEREAS the Parties have agreed that an effective Coordinated Entry process is a critical component to improving system navigation as recommended by the Regional Strategic Plan; and

WHEREAS the Coordinated Entry System serving the Housing First Solano CoC is known as Resource Connect Solano; and

WHEREAS Resource Connect Solano is governed by Housing First Solano's Coordinated Entry System Policies and Procedures; and

WHEREAS the JPA is under contract with HUD through the Continuum of Care Program to employ 3.5 full-time employees and offer transportation assistance to clients in order to operate Resource Connect Solano for the CoC; and

WHEREAS the JPA operates Resource Connect Solano through a subrecipient Coordinated Entry System Operator pursuant to a separate Subrecipient Agreement, hereinafter known as the "Subrecipient Agreement"; and

WHEREAS the Parties recognize that additional resources are needed to enable Resource Connect Solano to operate an effective and efficient system to address homelessness and implement best practice solutions to leverage the existing housing stock to increase housing opportunities.

NOW, THEREFORE, in consideration of the premises set forth above, the mutual promises and sufficiency of which are hereby acknowledged, the Parties agree as follows:

- I. **The County and Cities agree to provide funds to the JPA over the course of three years from the effective date for Coordinated Entry services provided throughout Solano County as set forth in Exhibit B (Budget).**



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

1. The County and Cities shall transmit annual payments to the JPA for the deliverables specified in Exhibits A and B.
2. The Memorandum of Understanding may be amended upon written agreement signed by all the Parties.

II. Program performance of the JPA

The JPA shall use funding received pursuant to this MOU to deliver the services described in Exhibit A (Scope of Work) in accordance with Exhibit C (Performance) to homeless individuals and families from the County and Cities pursuant to the terms of this MOU.

III. Fiscal responsibilities of the JPA

The JPA agrees to:

1. Monitor the activities listed in Exhibits A (Scope of Work), B (Budget), and C (Performance Objectives), and the terms of this MOU.
2. Adhere to its written JPA Continuum of Care Policies and Procedures for financial management.
3. Be liable for repayment of ineligible costs as defined by the Continuum of Care Program and Emergency Solutions Grant Interim Rules. The JPA shall be afforded the opportunity to respond to any adverse findings regarding ineligible costs before being held subject to repayment.
4. Be liable for repayment of costs incurred for activities not consistent with Exhibits A-C. The JPA shall be afforded the opportunity to respond to any adverse findings regarding such costs before being held subject to repayment.
5. Comply with accounting rules SFA 116 and 117 as issued by the Financial Accounting Standards Board in June 1993.
5. Promptly pay any debts or obligations to the County and/or Cities.

IV. Records, reports, and audits of the JPA

1. Governance.
 - a. The JPA shall have available and provide to County and/or Cities upon request:
 - i. A copy of 1999 Solano County Board of Supervisors Resolution Number 99-215, a “Resolution De-Designating the County of



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

Solano as the Community Action Agency and Designating the Solano Safety Net Consortium as the Community Action Agency for Solano County,” which created the JPA.

- ii. A copy of current JPA Bylaws.
 - iii. The current roster of the JPA membership.
 - iv. A copy of the adopted JPA Continuum of Care Policies and Procedures Manual, inclusive of its Conflicts of Interest Policy and its Financial Management policies and procedures.
 - b. The JPA shall report any changes to its Bylaws and/or Board membership to the Parties on an annual basis.
 - c. The JPA shall notify the Parties if it makes any changes to its interpretation of its compliance obligations under the Ralph M. Brown Act, as specified in the JPA Bylaws, on an annual basis.
2. Establishment and maintenance of records. The JPA shall maintain records sufficient to reflect properly all matters covered by the enclosed Exhibits A-C.
3. Preservation of records. The JPA shall preserve and make available its records in accordance with its Bylaws.
4. Examination of records and/or facilities. At any time during normal business hours, and as often as may be deemed necessary, the JPA agrees that the County and/or any City, and/or any duly authorized representatives for those Parties, shall, for a period of five years following the expiration of this MOU, have access to and the right to examine its offices and facilities engaged in performance of this MOU, and audit records and data with respect to matters covered by this MOU; excepting those falling within the attorney-client and attorney-work-product privileges. The County and/or Cities shall provide the JPA with reasonable notice of any such examination.
5. County and City monitoring reviews. The County and/or Cities may conduct monitoring reviews. Such reviews may cover program compliance, as well as fiscal matters. The County and/or Cities shall provide the JPA with reasonable notice that a review will be conducted. The JPA will be afforded a reasonable period of time to respond to any monitoring findings. Cost of such reviews will be borne by the Party(ies) requesting the review. The County and/or Cities may withhold payment and/or terminate this MOU if the JPA fails to respond to or correct finding(s) within a reasonable period of time.



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

- a. Performance reports. Throughout the MOU term, the JPA shall share all performance reports prepared pursuant to the oversight of Resource Connect Solano by the JPA.

V. Coordination of program

1. JPA. The Chair / Executive Director of the JPA, or his/her designee, shall have overall responsibility for the progress and execution of this MOU.
2. The County. The County Administrator, or his/her designee, shall serve as the point of contact for the County with respect to this MOU.
3. The Cities. The City Managers, or their designees, shall serve as the point of contact with respect to this MOU.
4. Notices. All notices or other correspondence required or contemplated by this MOU shall be sent to the Parties at the following addresses:

JPA: Community Action Partnership of Solano,
Community Action Authority
Attn: Kathy Lawton-Caesar, Chair / Executive Director
701 Civic Center Boulevard
Suisun City, CA 94585

County: Birgitta E. Corsello
County Administrator
Solano County
675 Texas Street, Suite 6500
Fairfield, CA 94533

City of Benicia: Lorie Tinfow
City Manager
City of Benicia
City Hall
250 East L Street
Benicia, CA 94510

City of Dixon: Jim Lindley
City Manager
City of Dixon
600 East A Street
Dixon, CA 95620



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

City of Fairfield: David White
City Manager
City of Fairfield
1000 Webster Street
Fairfield, CA 94533

City of Rio Vista: Robert Hickey
City Manager
City of Rio Vista
Rio Vista City Hall
One Main Street
Rio Vista, CA 94571

City of Suisun City: Suzanne Bragdon
City Manager
City of Suisun City
City Hall
701 Civic Center Boulevard
Suisun City, CA 94585

City of Vacaville: Jeremy Craig
City Manager
City of Vacaville
City Hall
650 Merchant Street
Vacaville, CA 95688

City of Vallejo: Greg Nyhoff
City Manager
City of Vallejo
555 Santa Clara Street
Vallejo CA 94590

VI. Compliance with law

The JPA shall become familiar and comply with and cause all its employees and contractors, if any, to become familiar and comply with all applicable Federal, State, and local laws, ordinances, codes, regulations, and decrees. Failure of the JPA to, in any manner, observe and adhere to laws as described herein or as amended, shall in no way relieve the JPA of its responsibility to adhere to same, and the JPA herein acknowledges this responsibility.

XIII. Indemnification/insurance



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

The JPA shall indemnify, defend (with independent counsel jointly approved by the County and Cities), and hold harmless the County and Cities and their officers, officials, directors, employees, agents, volunteers, and affiliates from any and all claims, demands, causes of actions, damages, costs, expenses, actual attorney's fees, consultant's fees, expert fees, losses or liability, in law or in equity, of every kind and nature whatsoever arising out of or in connection with the JPA's operations, or any subcontractor's operations, to be performed pursuant to this MOU or the current Subrecipient Agreement between the JPA and its Coordinated Entry System Operator, for the fullest extent permitted by law, with the exception of the sole active negligence or willful misconduct of the County and/or any of the Cities.

Per its Subrecipient Agreement with the JPA, the Coordinated Entry System Operator shall procure and maintain for the duration of its Subrecipient Agreement with the JPA insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work under its Subrecipient Agreement and the results of that work by the Coordinated Entry System Operator, its agents, representatives, employees, or subcontractors. The County and Cities and their officers, officials, employees, agents and volunteers are to be covered by the Coordinated Entry System Operator as additional insureds against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work under its Subrecipient Agreement and the results of that work by the Coordinated Entry System Operator, its agents, representatives, employees, or subcontractors. The JPA shall have the Coordinated Entry System Operator inform the Parties as to the identity of its insurance provider within 30 days of the execution of this agreement.

The provisions of this Section shall survive the expiration or termination of this MOU and are not limited by any provisions relating to insurance in the current Subrecipient Agreement between the JPA and its Coordinated Entry System Operator.

The JPA agrees to enforce all the insurance requirements set forth in the Terms and Conditions exhibit to the current Subrecipient Agreement between the JPA and its Coordinated Entry System Operator.

VII. Noncompliance with Scope of Work, Budget, and Performance Objectives

1. The JPA shall be afforded the opportunity to respond to any information that suggests a failure or deficiency by the JPA to comply with any provision of this MOU. Examples of noncompliance include:
 - a. If the JPA (with or without knowledge) makes any material misrepresentation of any nature with respect to any information or data furnished to the Parties in connection with this MOU.



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

- b. If there is pending litigation with respect to the performance by the JPA of any of its duties or obligations under this MOU which may materially jeopardize or adversely affect the undertaking of or the carrying out of its program.
 - c. If the JPA is in default under the provisions of this MOU.
 - d. If the JPA makes improper use of funds.
 - e. If the JPA fails to comply with any of the terms and conditions of this MOU in such a manner as to constitute a material breach thereof.
 - f. The JPA refuses to accept any additional conditions that may be imposed by the County and/or any City as a result of changes required by law or by the Federal government.
 - g. If the JPA fails to accomplish the scope of services listed in Exhibits A-C and pursuant to the terms of this MOU in a timely manner.
2. Should the JPA be unable to resolve concerns by a Party about a perceived failure to comply with Exhibits A-C under this MOU within a reasonable period of time, that Party shall have the right to withdraw from this MOU, receive reimbursement for services not yet rendered, and/or require corrective action to enforce compliance with such provision.

XV. Suspension or Termination

1. Suspension or termination for cause. This MOU may be suspended or terminated at any time before the date of completion by the JPA or pursuant to a unanimous agreement among the County and Cities if:
 - a. Any party fails to comply with the conditions of this MOU as described above; or
 - b. The Housing First Solano CoC chooses an entity other than the JPA to operate Resource Connect Solano; or
 - c. The JPA is not able to secure the resources to perform one or more of the duties described in Exhibit A: Scope of Work; or
 - d. The JPA no longer has adequate resources to operate Resource Connect Solano; and
 - e. The offending Party or Parties is/are afforded a reasonable opportunity to respond to any such concerns, and the offending Party or Parties fail(s) to resolve any such concerns.



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

2. Upon suspension or termination, the JPA shall:
 - a. Not incur new obligations and shall cancel as many outstanding obligations as possible.
 - b. Be paid only for services rendered to the County and each City to the date of such suspension or termination; provided, however, if the MOU is suspended or terminated for fault of the JPA, the County and each City shall be obligated to compensate the JPA only for that portion of the JPA's services which were of benefit to the County and each City.

XIV. Rights and remedies not waived

In no event shall payment by the County or any City or acceptance of payment by the JPA hereunder constitute or be construed to be a waiver by any Party of any breach of covenants or conditions of this MOU or any default which may then exist on the part of any Party, and the making of any such payment while any such breach or default shall exist, shall in no way impair or prejudice any right or remedy available to any Party with respect to such breach or default.

VIII. Integrated document

No verbal agreements or conversations with any officer, agent or employee of the County and/or Cities prior to execution of this MOU shall affect or modify any of the terms or obligations contained in any documents comprising this MOU. Any such verbal agreement shall be considered as unofficial information and in no way binding upon the Parties.

XVI. Severability

In case any one or more of the provisions contained herein shall, for any reason, be held invalid, illegal, or unenforceable in any respect, it shall not affect the validity of the other provisions which shall remain in full force and effect.

XVII. Term of MOU

The Term of this MOU is for three years from EFFECTIVE DATE.

###

IN WITNESS WHEREOF, the parties hereto, acting by and through their duly authorized representatives, have executed this MOU in duplicate on the day and year set below each of the parties.



COMMUNITY ACTION PARTNERSHIP SOLANO
JOINT POWERS AUTHORITY

For the JPA:

SIGNATURE

PRINTED NAME

TITLE

ADDRESS

CITY STATE ZIP

DATE

For Solano County, a municipal corporation:

SIGNATURE

PRINTED NAME

TITLE

ADDRESS

CITY STATE ZIP

DATE

For the City of Benicia, a municipal corporation:

SIGNATURE

PRINTED NAME

TITLE

ADDRESS

CITY STATE ZIP

DATE

For the City of Dixon, a municipal corporation:

SIGNATURE

PRINTED NAME

TITLE

ADDRESS

CITY STATE ZIP

DATE



COMMUNITY ACTION PARTNERSHIP SOLANO
JOINT POWERS AUTHORITY

For the City of Fairfield, a municipal corporation:

SIGNATURE

PRINTED NAME

TITLE

ADDRESS

CITY STATE ZIP

DATE

For the City of Rio Vista, a municipal corporation:

SIGNATURE

PRINTED NAME

TITLE

ADDRESS

CITY STATE ZIP

DATE

For the City of Suisun City, a municipal corporation:

SIGNATURE

PRINTED NAME

TITLE

ADDRESS

CITY STATE ZIP

DATE

For the City of Vacaville, a municipal corporation:

SIGNATURE

PRINTED NAME

TITLE

ADDRESS

CITY STATE ZIP

DATE



COMMUNITY ACTION PARTNERSHIP SOLANO
JOINT POWERS AUTHORITY

For the City of Vallejo, a municipal
corporation:

SIGNATURE

PRINTED NAME

TITLE

ADDRESS

CITY STATE ZIP

DATE



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

EXHIBIT A: SCOPE OF WORK

The JPA hereby enters into this Memorandum of Understanding with the County and Cities for the JPA to deploy the resources provided by the County and Cities to expand the Coordinated Entry System and to expand housing opportunities for individuals experiencing homelessness.

JPA shall be responsible for the following activities:

- Identifying and selecting a third-party to serve as the Coordinated Entry Services Operator.
- Securing the necessary resources to support the existing 3.5 FTEs employed by the Coordinated Entry Services Operator, including three Coordinated Entry Specialists and a full-time Coordinated Entry Housing Ready Specialist / Case Manager.
- Providing technical assistance and oversight of the Coordinated Entry Services Operator.
- Providing annual reports to the County and Cities on progress in achieving the milestones outlined in Exhibit C.
- Ensuring that resources provided the County and Cities will be used for the following activities:

I. Resource Connect Solano Coordinated Entry System Manager

The JPA will ensure that the Coordinated Entry Services Operator hires a full-time Coordinated Entry Manager who will be responsible for the implementation and on-going administration, development, and continuous improvement of Solano County's Coordinated Entry System in alignment with Housing First Solano's Coordinated Entry System Policies and Procedures. Duties include, but are not limited to:

1. Conducting Coordinated Entry System analysis, evaluation, monitoring, and review;
2. Maintaining Coordinated Entry System documentation, which includes system performance documents, reporting data, and federal forms;
3. Developing new access and outreach/in-reach points throughout the County to ensure full and equal access;
4. Increasing the number of providers using Housing First Solano's Homeless Management Information System (HMIS) and participating in Resource Connect Solano;
5. Creating tools and resources necessary to manage Resource Connect Solano Entry Points;
6. Ensuring consistent usage of and calibration of the assessment tool throughout the Coordinated Entry System;



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

7. Ensuring that the adopted prioritization criteria are used so that the most vulnerable individuals and families are prioritized for assistance and matched with the appropriate services for them ensuring the most efficient and cost-effective usage of resources;
8. Managing the priority lists in conjunction with the Coordinated Entry staff;
9. Ensuring timely linkage of persons to available housing and services;
10. Providing guidance, training, capacity building support, communication updates, and other project support as needed to Housing First Solano, the County, and the Cities;
11. Ensuring all participating provider agencies have information as necessary to operate and participate in Resource Connect Solano successfully;
12. Creating and presenting quarterly reports to the JPA and preparing annual assessments of the Coordinated Entry System;
13. Establishing a more robust marketing plan to bring awareness to residents across the county, including those precariously housed and those least likely to receive assistance in the absence of such marketing;
14. Creating and disseminating outreach materials about Resource Connect Solano;
15. Reviewing and analyzing HMIS data, including reports on system-wide performance (e.g., clients receiving diversion assistance, vacancy reporting, completion of assessments); and
16. Maintaining the integrity of consumer data and ensuring up-to-date security protocols for the system.

II. Coordinated Entry System Administrator

The JPA will ensure the Coordinated Entry Service Operator hires a full-time Coordinated Entry System Administrator to support the Resource Connect Solano staff as well as the various jurisdictional and non-profit outreach teams. Duties would include:

1. Answering and responding to all Coordinated Entry System referral calls;
2. Performing a pre-screen diversion assessment over the phone and full Vulnerability Index – Service Prioritization Decision Assistance Tool assessment, where appropriate;



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

3. Referring callers to the most pertinent services, including prevention services for callers at-risk of homelessness;
4. Connecting clients to a Coordinated Entry Specialist for further case management;
5. Assisting the Coordinated Entry Specialists with data entry in HMIS;
6. Scheduling appointments with clients for the Coordinated Entry Specialists;
7. Providing training and technical assistance to local outreach teams to support their data entry in HMIS.

III. Coordinated Entry System Housing Locator

The JPA will ensure the Coordinated Entry Services Operator hires a full-time Coordinated Entry Housing Locator to support the Resource Connect Solano staff as well as the various jurisdictional and non-profit outreach teams to identify housing opportunities for individuals experiencing homelessness. Duties would include:

1. Developing and managing a comprehensive outreach/ working relationship with community stakeholders, especially landlords;
2. Implementing a landlord recruitment and retention plan. Recruiting landlord, management firm, and leaseholder participation and/or growth of participation in Continuum of Care and Resource Connect Solano housing programs, which may include Permanent Supportive Housing, Rapid Rehousing, Section 8, TBRA, HUD/VASH, and other subsidy programs;
3. Meeting with owners, landlords and property managers to discuss partnering with Resource Connect Solano, including rental assistance, placement programs, and support services;
4. Negotiating with landlords experiencing conflicts with formerly homeless tenants to find solutions to experienced problems, including outside mediation services for more serious conflicts to help avoid eviction;
5. Building long-lasting relationships with property managers, landlords, owners, and firms to expand the scope of their participation in programs that house those experiencing homelessness;
6. Performing initial site visits at all prospective sites to ensure they meet guidelines for habitability standards;
7. Maintaining a database of landlords, management firms, and leaseholders working with those experiencing homelessness;



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

8. Sending out daily notices to Resource Connect Solano staff of any new housing availability;
9. Tracking all placements with landlords in HMIS;
10. Maintaining awareness of changes in market and community processes that can impact services; bring forward prospective recommendations to deal with expected changes.

IV. Coordinated Entry System Housing Ready Specialist / Case Manager

The JPA will ensure that the Coordinated Entry Services Operator uses funding from the County and Cities to augment the salary of an existing part-time Coordinated Entry System Housing Ready Specialist / Case Manager to support the Resource Connect Solano staff as well as the various jurisdictional and non-profit outreach teams to identify housing opportunities for individuals experiencing homelessness. Duties would include:

1. Counseling individuals and families at the top of the Resource Connect Solano prioritization system as to potential housing options;
2. Coordinating supportive services for individuals and families at the top of the Resource Connect Solano prioritization system;
3. Using the Coordinated Entry System to provide comprehensive assessments of participant need for housing and services;
4. Monitoring and evaluating Resource Connect Solano participant progress;
5. Providing Resource Connect Solano participant information and referrals to providers participating in the Coordinated Entry System;
6. Developing individualized housing and service plans for individuals and families at the top of the Resource Connect Solano prioritization system;
7. Providing tenant counseling to individuals and families placed within the past 30 days into housing through Resource Connect Solano;
8. Assisting individuals and families at the top of the Resource Connect Solano prioritization system or placed within the past 30 days into housing through Resource Connect Solano to understand the leasing process;
9. Assisting individuals and families at the top of the Resource Connect Solano prioritization system or placed within the past 30 days into housing through Resource Connect Solano with securing utilities;



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

10. Assisting individuals and families at the top of the Resource Connect Solano prioritization system or placed within the past 30 days into housing through Resource Connect Solano with making moving arrangements.

V. **Coordinated Entry Systems Operations**

The JPA will ensure that resources made available through this MOU for operations are allocated to items such as the costs of office space, maintenance, office equipment, Internet access, a system website, marketing, office supplies, transportation costs incurred by the Resource Connect Solano staff, public transportation costs for consumers, essential training, and conference attendance.

VI. **Landlord Support Fund**

The JPA will ensure that resources made available through this MOU to establish a Landlord Support Fund will be used to launch and fund a program under which five Solano-based landlords will be identified to accept one high needs tenant through the Resource Connect Solano referral process. Each participating landlord will be eligible to be reimbursed by the JPA for up to \$2,000 each per year to cover damages caused by the high needs tenant enrolled through the Resource Connect Solano referral process.

VII. **Landlord Financial Incentive Pilot**

The JPA will ensure that resources made available through this MOU to establish a Landlord Financial Incentive Pilot will be used to launch and fund a program under which five Solano-based landlords will be eligible to receive one nonrefundable “bonus” payment of \$500 for the first lease that they execute with an individual or family that is exiting homelessness by entering into that lease. Participating landlords would receive a \$250 nonrefundable “bonus” payment for each additional lease that they execute with an individual or family that is exiting homelessness. This pilot program assumes a limit of five total “bonus” payments per landlord.



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

EXHIBIT B: BUDGET

I. Funding

In addition to coordinated entry staff supported by HUD CoC and /or ESG funding, pursuant to this MOU, the Cities and County will provide funding as follows:

1. \$96,000 to pay the salary of a full-time Coordinated Entry Manager, inclusive of employee benefits;
2. \$48,000 to pay the salary of a full-time Coordinated Entry Administrator, inclusive of employee benefits;
3. \$60,000 to pay the salary of a full-time Housing Locator, inclusive of employee benefits;
4. \$30,000 to augment the salary of a part-time Housing Specialist / Case manager;
5. \$50,000 for Coordinated Entry System operational costs;
6. \$20,000 for a Landlord Financial Incentive Pilot;
7. \$7,500 for a Landlord Support Fund Pilot.

Funding for years 2 and 3 will increase at a fixed rate of two (2) percent per year.



COMMUNITY ACTION PARTNERSHIP SOLANO
JOINT POWERS AUTHORITY

II. Method of Payment

The County and Cities shall transmit annual payments to the JPA. The method of payment was determined by the population of the Cities with a County payment of \$70,000 in year one, and is as follows:

	Year 1	Year 2	Year 3	Total
Solano County	\$70,000	\$71,400	\$72,828	\$214,228
Benicia	16,070	16,391	16,719	49,181
Dixon	11,198	11,422	11,650	34,269
Fairfield	66,240	67,564	68,916	202,720
Rio Vista	5,233	5,338	5,445	16,016
Suisun City	16,998	17,338	17,685	52,022
Vacaville	57,129	58,272	59,437	174,838
Vallejo	68,632	70,005	71,405	210,041
Total	\$311,500	\$317,730	\$324,085	\$953,315

The JPA shall invoice the County and Cities within 30 days of the effective date of this MOU and then each year thereafter within 30 days of the same calendar date. The Cities and County shall make payment of the invoice within 30 days of the date of the invoice.



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

PERFORMANCE OBJECTIVES

- Recruit, hire, onboard, and train Housing Locator
 - Develop plan for Landlord Support Fund and Financial Incentive Pilot
 - Identify potential private market housing
 - Establish and maintain relationships with private market landlords
 - Generate new housing opportunities from existing housing stock
 - Establish Landlord Support Fund and recruit five landlords to participate
 - Establish Financial Incentive Pilot Program and recruit five landlords to participate
 - Recruit, hire, onboard, and train Coordinated Entry Manager and Administrator
 - Develop new operational plan with additional operations funding
 - Outreach and advertise to providers not currently using HMIS or participating in the Coordinated Entry System
 - Increase the number of providers using HMIS, VI-SPDAT assessment and participating in Coordinated Entry System
 - Expand existing access points in the County to increase geographic coverage
 - Increase responsiveness to residents calling Coordinated Entry System and increase referrals to diversion and prevention services
- 12 months**
- Establish and maintain relationships with private market landlords
 - Publicize “success stories” to community members and potential partner landlords
 - Generate new housing opportunities from existing housing stock
 - Maintain and lead Landlord Support Fund and the Financial Incentive Pilot
 - Expand the Financial Incentive Pilot Program and recruit five new landlords to participate
 - Conduct the quarterly performance evaluation to ensure that the most vulnerable population is being served and that the identified targets for increasing Coordinated Entry System utilization are being reached
- 24 months**
- Establish that all homeless housing providers are using HMIS, conducting VI-SPDAT assessments, and participating in the Coordinated Entry System
 - Help to coordinate the efforts of outreach teams and increase the number of residents being reached and connected to the Coordinated Entry System
 - Continue to expand existing access points in the County to increase geographic coverage



COMMUNITY ACTION PARTNERSHIP SOLANO JOINT POWERS AUTHORITY

36 months

- Establish and maintain relationships with private market landlords
- Publicize “success stories” to community members and potential partner landlords
- Generate new housing opportunities from existing housing stock
- Maintain and lead Landlord Support Fund and Financial Incentive Pilot
- Conduct the quarterly performance evaluation to ensure that the most vulnerable population is being served and that the identified targets for increasing Coordinated Entry System utilization are being reached
- Establish that all homeless-related service providers are aware of and referring clients to the Coordinated Entry System. Maintain all homeless service provider engagement with the Coordinated Entry System
- Ensure that all homeless housing providers continue using HMIS, conducting VI-SPDAT assessments, and participating in the Coordinated Entry System
- Help to coordinate the efforts of outreach teams and increase the number of residents being reached by the CE System
- Continue to expand existing access points in the County to increase geographic coverage



DATE: December 18, 2018
TO: Mayor and Members of the City Council
FROM: Michael Malone, Water Director
SUBJECT: **AMENDMENT TO THE FY 2013-14 INSTRUMENTATION, CALIBRATION AND MAINTENANCE SERVICES CONTRACT WITH TELSTAR INSTRUMENTS, INC.**

RECOMMENDATION

Authorize the City Manager to execute the Fifth Amendment to the Fiscal Year 2013-2014 Instrumentation Calibration and Maintenance Services Contract with Telstar Instruments, Inc. extending the term by six months to June 30, 2019, and increasing the compensation by \$100,000 for a new total contract not-to-exceed amount of \$742,360.

REASONS FOR RECOMMENDATION

Calibration and maintenance of instruments are essential for a safe and effective water supply. An extension of the Telstar contract is needed to provide required calibration services, until recently hired Instrument Technicians are fully trained to perform the work.

BACKGROUND AND DISCUSSION

Water Facilities Maintenance has experienced years of continuous vacancies in the Instrument Technician positions; however, the division has recently hired two Instrument Technicians who need to be trained in order to perform the required calibration and maintenance service work.

Historically, the City of Vallejo has had four Instrument Technician positions to cover routine maintenance, system modifications, upgrades, and emergencies for three water treatment plants, 26 water tanks, 26 booster pump stations, and additional field facilities. In 2003, the City of Vallejo entered into its first instrumentation calibration and maintenance services contract to assist the Water Department in performing over 2,500 required annual routine calibration and maintenance procedures as mandated by the California State Water Resources Control Board Division of Drinking Water. Calibration and maintenance procedures are also required by the instrument.

The base FY 2013-14 agreement and its first, second, and third amendments extended the contract through its expected first year and first three allowable annual extensions. The contract was extended through its fourth year with a termination date of June 30, 2018. A Fourth Amendment was entered into on June 1, 2018, which extended the contract from July 1, 2018 to December 31, 2018 at a not-to-exceed cost of \$76,300. This Fifth Amendment to further extend the contract to June 30, 2019, would add \$100,000 for a total not-to-exceed contract value of \$742,360.

Subject: AMENDMENT TO THE FY 2013-14 INSTRUMENTATION, CALIBRATION AND MAINTENANCE SERVICES CONTRACT WITH TELSTAR INSTRUMENTS, INC.

Next Steps

Although the Water Facilities Maintenance Division plans to perform all routine calibration work, an on-call back up service is needed to ensure that required work is performed in the case of staff absences. Within the next six months, the Water Department will issue a call for bids to perform on-call services.

FISCAL IMPACT

Approval of the proposed Fifth Amendment would result in a contract value of up to \$176,300 in FY2018-19, and a total contract value of \$742,360. There are sufficient appropriations in the adopted FY2018-19 Water Enterprise Fund budget to cover the cost of the calibration and maintenance work through June 30, 2019.

There would be no impact on the City's General Fund.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	Draft Fifth Amendment_Telstar approved
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CONTACT

Mike Malone, Water Director (707) 648-4308
Mike.Malone@cityofvallejo.net

**FIFTH AMENDMENT TO
AGREEMENT BETWEEN
CITY OF VALLEJO
AND
TELSTAR, INC.**

This Fifth Amendment to the Fiscal Year 2013-2014 Instruction Calibration and Maintenance Services Contract made and entered into on October 28, 2014, hereafter referred to as Contract, between Telstar, Incorporated, a California Corporation, therein referred to as Contractor, and the City of Vallejo, a charter city and municipal corporation, therein referred to as City, is made and entered into on this ____ day of _____, 2018.

WHEREAS, on October 28, 2014, City Council adopted Resolution No. 14-119 awarding the formal, competitively bid Fiscal Year 2013-2014 Instruction Calibration and Maintenance Services Contract in the amount not to exceed \$135,288, which contract provided that the City in its sole discretion could extend the term annually for a maximum of four years to no later than June 30, 2018, at a specified rate of compensation; and

WHEREAS, City and Contractor entered into the First Amendment to Agreement Between City of Vallejo and Telstar Incorporated, extending the term to June 30, 2015, memorializing the City's exercise of its contractual right to extend the term by one year; and

WHEREAS, on July 1, 2015, City and Contractor entered into the Second Amendment to Agreement Between City of Vallejo and Telstar Incorporated, extending the term to June 30, 2016, memorializing the City's exercise of its contractual right to extend the term by one year; and

WHEREAS, on June 1, 2016, the City and Contractor entered into the Third Amendment to Agreement Between City of Vallejo and Telstar Incorporated, extending the term to June 30, 2017, memorializing the City's exercise of its contractual right to extend the term by one year; and;

WHEREAS, after June 30, 2017, the City continued to use the services of the Contractor; and

WHEREAS, on June 1, 2018, the City and Contractor entered into the Fourth Amendment to Agreement Between City of Vallejo and Telstar Incorporated, extending the term of the contract to December 31, 2018, which is six months beyond the original maximum of four years, and increase the compensation by \$76,300 to provide compensation for the six months ending December 31, 2018; and

WHEREAS, the City and Contractor desire to extend the term of the contract to June 30, 2019, an additional six months, which is a total of twelve months beyond the original maximum of four years, and increase the compensation by \$100,000 to provide for compensation for the additional six months ending June 30, 2019.

Contractor and City do mutually agree as follows:

1. Term. The term of the Contract is hereby extended to June 30, 2019.

2. Compensation. The compensation total not to exceed is increased by \$100,000 to provide for compensation for January 1, 2019 through June 30, 2019, for a total increase of \$176,300 in compensation for July 1, 2018 through June 30, 2019.

3. Integration. This Fifth Amendment contains the entire agreement between the parties with respect to its subject matter and supersedes whatever oral or written understanding they may have had prior to the execution of this Fifth Amendment. This Fifth Amendment shall not be amended or modified except by a written agreement executed by each of the parties. Except as specifically revised herein, all terms and conditions of the Agreement shall remain in full force and effect, and Contractor shall perform all duties, obligations and conditions required under the Contract.

4. Inconsistencies. In the event of any conflict or inconsistency between the provisions of this Fifth Amendment and the Contract, the provisions of this Fifth Amendment shall control in all respects.

5. Ambiguities. The parties have each carefully reviewed this Fifth Amendment and have agreed to each term of this Fifth Amendment. No ambiguity shall be presumed to be construed against either party.

6. Counterparts. This Fifth Amendment may be executed by the parties in one or more counterparts all of which collectively shall constitute one document and agreement.

7. Authority. The person signing this Fifth Amendment for Contractor hereby represents and warrants that he or she is fully authorized to sign this Fifth Amendment on behalf of Contractor.

(SIGNATURES ARE ON THE FOLLOWING PAGE)

IN WITNESS WHEREOF, the parties have entered into this Fifth Amendment on the day and year first hereinabove appearing.

Telstar, Inc.,
a California Corporation

CITY OF VALLEJO,
a municipal corporation

BY: _____
Name:
Title:

BY: _____
GREG NYHOFF
City Manager


BY: _____
Name:
Title:

ATTEST: _____
DAWN ABRAHAMSON
City Clerk

(City Seal)

APPROVED AS TO CONTENT:

Approved as to form:

By: 

Claudia Quintana
City Attorney

MIKE MALONE
Water Director

APPROVED AS TO FORM:

CLAUDIA QUINTANA
City Attorney



DATE: December 18, 2018
TO: Mayor and Members of the City Council
FROM: Judy Shepard-Hall, Housing & Community Development Manager
SUBJECT: **EXCLUSIVE NEGOTIATING AGREEMENT WITH EDEN HOUSING INC. FOR PROPERTY AT 2118 & 2134-2136 SACRAMENTO STREET**

RECOMMENDATION

Authorize the City Manager to execute an Exclusive Negotiating Agreement (ENA) with Eden Housing Inc. (Eden Housing) for the property at 2118 & 2134-2136 Sacramento Street, in order to facilitate the development of affordable, permanent supportive housing units.

REASONS FOR RECOMMENDATION

On June 26, 2018, the Vallejo Housing Authority (VHA) Board approved, and subsequently executed, a \$1,600,000 Low- Moderate-Income Housing Asset Fund (LMIHAF) loan to Eden Housing as the first step toward developing an approximately 75-unit permanent supportive housing complex at City-owned property at 2118 & 2134-2136 Sacramento Street to address homelessness in Vallejo. The loan agreement included key milestones, including the City conveyance of the property to Eden Housing as part of the City's contribution to the project.

In addition, Eden Housing is pursuing a Partnership HealthPlan of California grant of up to \$1,500,000 to supplement the development project, which requires the applicant to demonstrate site control.

In order to facilitate the conveyance of property, and to ensure Eden Housing can submit a competitive grant application, staff recommends entering into an ENA with Eden Housing for the property on Sacramento Street.

BACKGROUND AND DISCUSSION

The City purchased two adjacent properties (2118 and 2134-2136 Sacramento Street) in December 2017 to develop as Permanent Supportive Housing (PSH) units for the City's homeless population.

The City received four submissions in response to a Request for Qualifications (RFQ) soliciting affordable housing developers. Eden Housing Inc. (Eden Housing) submitted qualifications and project concepts for a new 75-unit complex, with a mix of homeless PSH, veterans and very-low-income units with on-site services for tenants.

On June 26, 2018, the VHA Board approved a \$1.6 million Housing Asset Fund loan to Eden Housing for the project. The FY 2018-19 Budget included additional allocations from CDBG (\$676,000) and HOME (\$525,197).

Exhibit 7 of the LMIHAF Loan Agreement (Attachment 3) included a preliminary schedule for development,

which identified key milestones and dates for the project. The schedule anticipated a conveyance of the property to Eden Housing, to be owned/operated within Eden’s housing portfolio, once building permits are issued (November 2020). Entering into an ENA with Eden Housing now will facilitate that conveyance by demonstrating Eden Housing site control of the property and allowing Eden to leverage additional funding sources for the project.

Additionally, on November 1, 2018, the Partnership HealthPlan of California identified a one-time grant funding of approximately \$3.4 million for new construction, acquisition, or rehabilitation of multi-family rental housing that could create permanent supportive housing to serve Medi-Cal eligible beneficiaries who are homeless or at risk of homelessness in Solano County. It is estimated that of the 200 most vulnerable homeless individuals in Solano County, approximately half currently reside in Vallejo.

The Sacramento Street Permanent Supportive Housing Project is a prime candidate for potential funding and meets the criteria for eligibility – with the exception of requiring the applicant (in this case, Eden Housing) to be able to demonstrate site control. An executed ENA between the City of Vallejo and Eden Housing would fulfill this minimum threshold and enable a competitive application to be submitted by Eden Housing before the RFP deadline of December 31, 2018.

FISCAL IMPACT

There is no fiscal impact to the City's General Fund or VHA funds as a result of executing an ENA with Eden Housing; nor is there any non-refundable negotiation fee required of Eden Housing. Any costs associated with the negotiations, including planning, legal, entitlements, or environmental reports, would be covered by Eden Housing through a subsequent developer deposit agreement.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

1.	Preliminary Schedule_4
2.	ENA_Eden Housing_Sac Street_DRAFT SE stamp

CONTACT

Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408
judy.shepard-hall@cityofvallejo.net

PRELIMINARY SCHEDULE FOR DEVELOPMENT

<u>Milestone</u>	<u>Date</u>
Selection of Developer	May 2018
Execute LMIHAF Loan Agreement	June 2018
Begin Community Engagement Process and Secure Community Support for the Development	July 2018
Execute additional loan agreements with the City (HOME, CDBG, etc)	October 2018
Execution of Development Agreement	December 2018
Entitlement and Planning Application Submittal	January 2019
Secure Solano County Social Services Funding	June 2019
Receive Approval from City Departments	August 2019
Start Construction Drawings and Permitting	September 2019
Secure Gap Financing*	December 2019
Apply for 9% CTCAC	March 2020
Receive CTCAC Award	June 2020
Receive Building Permits/Construction Closing/Conveyance of Property	November 2020
Start Construction	November 2020
Tenant Selection Process Begins	April 2021
Construction Completion	September 2021
Lease Up/ Move-In	October 2021
Conversion to Permanent Mortgage	March 2022

**EXCLUSIVE NEGOTIATION AGREEMENT BY AND BETWEEN
THE CITY OF VALLEJO
AND
EDEN HOUSING, INC.**

This EXCLUSIVE NEGOTIATION AGREEMENT (“Agreement”) is entered into by and between the City of Vallejo, a charter city and municipal corporation (“City”), and Eden Housing, Inc., a California nonprofit public benefit corporation (“Developer”), as of the Effective Date. The City and the Developer sometimes are referred to collectively as the “Parties” and either individually as a “Party.”


RECITALS

- A. The City is the owner of certain real property located within the City of Vallejo, State of California commonly referred to as 2118 & 2134-2136 Sacramento Street, Vallejo, California, 94590. The property is depicted in the diagram attached as Exhibit A (the “Property”).
- B. The Developer has demonstrated to the City its experience with successfully developing properties similar to the Property, responded to the City’s Request for Proposals, was selected by the Vallejo Housing Authority as the affordable housing developer for the Property, and received Vallejo Housing Authority approval for a \$1,600,000 housing asset loan, and seeks to develop the Property with permanent supportive affordable housing (the “Project”).
- C. The City and the Developer seek to negotiate a transfer of the Property from the City to the Developer for development of the Project. The Parties intend to negotiate mutually acceptable terms and conditions for the transfer and development of the Project in a Disposition and Development Agreement (“DDA”).
- D. In 2017 the Vallejo City Council approved a General Plan(referred to as the “Planning Documents”). The Developer understands that any proposed Project must be consistent with those Planning Documents.

NOW, THEREFORE, in consideration of the foregoing and the promises, covenants, and provisions set forth below, the receipt and adequacy of which consideration is acknowledged, the Developer and the City agree as follows.

AGREEMENT

1. Term. The term of this Agreement shall commence on the date the City Council approves this Agreement (the “Effective Date”), and shall extend for twelve (12) months thereafter unless sooner terminated or extended as herein provided (the “Initial Term”).
2. Extended Term. The Initial Term plus any and all extensions of the Initial Term under this Section 2 are referred to collectively as the “Term.” The Initial Term

Approved as to form:
By:  for
Claudia Quintana
City Attorney

may be extended two (2) times for up to three (3) months each time at the sole discretion of the City Manager or his or her designee.

3. Negotiation of the DDA. During the Term, the Parties shall negotiate the proposed terms of the DDA for submittal to the City Council for its consideration. The DDA will establish the essential business terms and framework for the transfer and development of the Property, and will define the financial, legal, operational and administrative mechanisms to implement such transfer and development. The Developer understands and agrees that the City Manager shall have right to determine in his/her reasonable discretion if the proposed DDA is complete and sufficiently consistent with the intent described in this Section 4 to be placed on a City Council agenda. At the end of the Term, if (a) a proposed DDA, including, but not limited to a site development permit, density bonus, parking concessions, and California Environmental Quality Act (“CEQA”) review (“entitlements”) is not placed on a City Council agenda; or (b) the City Council does not approve a proposed DDA, including entitlements, then this Agreement shall expire and the Parties shall have no further rights and obligations pursuant to this Agreement.
4. City Responsibilities. During the Term, the City shall do the following to further the negotiation process:
 - 4.1 Exclusive Negotiations. The City shall negotiate exclusively with the Developer regarding the Project, the Property, and the terms of the DDA and shall not solicit, market to, or negotiate with any other person or entity regarding the Project or the Property or solicit or entertain bids or proposals to do so.
 - 4.2 Retention of Discretionary Authority. The City shall negotiate in good faith with the Developer during the Term. The Developer understands and agrees that by entering into this Agreement the City is making no commitment that it will approve a DDA, including [entitlements], for the Project with the Developer or convey the Property to the Developer. The City specifically retains the right to approve or deny a proposed DDA, or to approve an alternative Project or to impose any conditions or mitigation measures upon the Project in its sole discretion.
5. Developer Responsibilities. During the Term, Developer shall do the following at its sole expense to further the negotiation process:
 - 5.1 Non-Refundable Deposit to Offset City Expenses. Following the Low to Moderate Income Housing Asset Fund Loan of \$1,600,000 approved by the Vallejo Housing Authority on June 26, 2018, no deposit is required.
 - 5.2 Further Entitlements. Developer understands and agrees that the Project will be required to conform to City’s approval processes and be consistent with the Zoning Ordinance, General Plan, and other plans as now approved, as may be approved and as may be amended from time to time.
 - 5.3 Financing and Project Pro Forma. Developer shall prepare a Financing Plan for the proposed Project, including a pro forma, for review and approval by the City that includes sources and uses of funds for financing the Project, project operating budget and any rate of return requirements.

- 5.4 Project Team. Developer shall identify key individuals on its Project Team who will be dedicated to working with the City during implementation of the DDA. Additionally, Developer shall provide the City with a list of its intended consultants, including but not limited to, architectural, engineering, legal, financial, and construction.
- 5.5 Due Diligence Regarding Physical Condition. The Developer shall conduct any and all investigations it deems necessary to negotiate the terms of the DDA regarding the physical condition of the Property (including any environmental, soil/geotechnical analysis and engineering studies) and the title condition of the Property at the time of conveyance.
- 5.6 Reports. At any time requested by the City, but not more frequently than monthly, Developer shall make oral and summary form written progress reports advising City staff on all progress being made on the responsibilities listed in this Section 6.
- 5.7 Termination. If the Developer does not execute Developer Responsibilities under Section 5, the City shall terminate this agreement at its sole discretion.
6. Costs of Entitlements, Permits and DDA Preparation. The Developer shall be responsible at its sole cost for obtaining any land use entitlements including any required environmental review, utility will serve letters and building permits, including paying any customary fees for such entitlements and permits.
7. Meetings. Developer and City staff, as needed, shall meet or hold a conference call on average every two weeks during the Term to discuss the status of activities and tasks related to the negotiations and the Project, the accomplishment of such activities and tasks, and other such matters.
8. Representations and Warranties.
 - 8.1 Duly Formed and Validly Existing. Developer represents and warrants that Eden Housing, Inc. is a California nonprofit public benefit corporation is duly formed and validly existing under the laws of the State of California.
 - 8.2 Developer Authority. Developer represents and warrants that the person executing this Agreement on behalf of Developer has the full right, power, and authority to execute this Agreement and to bind Developer hereunder. Developer agrees to provide City with evidence of this authority upon request.
 - 8.3 City Authority. The City represents and warrants that the person executing this Agreement on behalf of the City has the full right, power, and authority to execute this Agreement and to bind the City hereunder.
9. No Assignment. The City is entering into this Agreement with Developer based on Developer's development experience and track record with similar developments. Developer may not sell, assign, or transfer any of its rights or obligations under this Agreement.
10. Notices. All notices required or permitted under this Agreement shall be delivered in person; by facsimile, email or overnight courier with written confirmation of receipt, or by registered or certified mail, postage prepaid, return receipt requested,

to such Party at its address shown below, or to such other address designated in writing by such Party:

Notices to the City:

City of Vallejo
555 Santa Clara Street
Vallejo, CA 94590
Attn: Will Morat
Telephone: 707-648-4109
Email: will.morat@cityofvallejo.net

Notices to Developer:

Eden Housing, Inc.
ATTN: Senior Vice President of Real Estate Development
22645 Grand Street
Hayward, CA 94541

Notice shall be deemed received and effective on delivery, if delivered personally or upon receipt of confirmation if by facsimile, email or overnight courier; or three days after deposit into the United States mail if delivered by registered or certified mail.

12. Limitations of this Agreement.

12.1 Limitations of the City's Commitment. The City is not, by entering this Agreement, committing itself to or agreeing to undertake any other acts or activities requiring the subsequent independent exercise of discretion by the City or any agency or department thereof. This Agreement is merely an agreement to enter exclusive negotiations with respect to the Property according to the terms hereof, with all final discretion and approval remaining with the City Council as to any DDA, including [entitlements], and all proceedings and decisions in connection therewith. If negotiations under this Agreement result in a proposed DDA, City Council approval thereof may occur only after compliance, as may be required, with all applicable laws and ordinances including, without limitation, CEQA and any such DDA shall not be effective until considered and approved by the City Council and executed by duly authorized representatives of the City and the Developer. Until and unless the DDA is signed by the Developer, approved by the City Council and executed by the City, no agreement drafts, actions, deliverables or communications arising from the performance of this Agreement shall impose any legally binding obligation on either party to enter into or support entering into the DDA or be used as evidence of any oral or implied agreement by either party to enter into any other legally binding document.

12.2 Effect of Expiration or Termination. If the DDA has not been approved by the City Council by the date this Agreement expires or is terminated under Section 3, neither Party shall have any further rights, obligations, or liability to the other Party under this Agreement.

13. Work Product. Land surveys, development project studies, design concepts and plans and investigation reports and studies within Developer's possession or direct control, including boring logs, sample or laboratory test results, traffic counts or other technical data and backup produced by Developer or its contractors or subcontractors, in connection with Developer's due diligence and pre-development activities.

13.1 City and Developer acknowledge that Developer will not deliver the Work Product directly to City, as public disclosure could deprive Developer of commercial value. Developer further acknowledges that City nevertheless must be ensured access to such Work Product in the event this Agreement is terminated in accordance with Section 3 or Section 5.7. Within ninety (90) days of the Agreement Date, City and Developer will select a mutually agreeable escrow agent or neutral depository located in or around Vallejo, California ("Escrow Agent"), and will enter into an escrow or similar deposit agreement with the Escrow Agent in order to permit Developer to deposit the Work Product with the Escrow Agent ("Escrow Agreement"). To the extent this Agreement is terminated in accordance with Section 5.7, the Escrow Agreement shall provide that the Work Product will be released by the Escrow Agent to City. To the extent this Agreement is terminated in accordance with Section 3 the Escrow Agreement shall provide that the Work Product will be released by the Escrow Agent to Developer.

14. Miscellaneous Provisions.

14.1 Entire Agreement. This Agreement is the entire agreement as understood by the Parties with respect to the matters set forth herein.

14.2 Amendments. This Agreement may be amended only in a writing signed by all Parties and approved by the City Council.

14.3 Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California. Any action to enforce or interpret this Agreement shall be brought in a court of competent jurisdiction in Solano County or, in the case of any federal claims, in federal court for the Eastern District of California.

14.4 Limitation on Remedies. In any action or other legal or administrative proceeding to enforce this Agreement, or that otherwise may arise out of this Agreement, neither the City nor Developer shall be entitled to any damages or monetary relief. It is understood and agreed by the Parties that this Agreement is solely to enable the Parties to negotiate the terms of a proposed DDA, on an exclusive basis for the Term. There is no commitment that any DDA or entitlements necessary for the development of the Project will be approved and no damages, monetary relief or specific performance shall be available to Developer if a DDA, including [entitlements], is not approved during the Term or if this Agreement is terminated prior to expiration of the Term.

14.5 Attorneys' Fees. In any action or other legal or administrative proceeding to enforce this Agreement, or that otherwise may arise out of this Agreement, each Party shall pay its own attorneys' fees and costs.

- 14.6 Headings. The section headings in this Agreement are for convenience only; they do not explain, modify, or add to the meaning of this Agreement.
- 14.7 Interpretation. This Agreement is the result of the combined efforts of the Parties. If any provision is found ambiguous, the ambiguity will not be resolved by construing this Agreement in favor of or against either Party, but by construing the terms according to their generally accepted meaning.
- 14.8 Time Periods. Any time period to be computed under this Agreement shall be computed by excluding the first day and including the last day. If the last day falls on a Saturday, Sunday, or legal holiday, the last day will be extended until the next day the City is open for business. All references to days in this Agreement shall mean calendar days unless otherwise expressly specified. The City offices are closed on Fridays and therefore any reference to business days shall mean Monday through Thursday unless one of those days is a holiday observed by the City.
- 14.9 Severability. The provisions of this Agreement are severable. The invalidity or unenforceability of any provision in this Agreement will not affect the other provisions.
- 14.10 Successors and Assigns. This Agreement is binding on and will inure to the benefit of the Parties and their respective successors. This Agreement cannot be transferred or assigned.
- 14.11 Independent Capacity. Nothing in this Agreement is intended to or does establish the Parties as partners, co-venturers, or principal and agent with each another.
- 14.12 Conflict of Interest. No officer or employee of the City shall hold any interest in this Agreement (California Government Code § 1090).
- 14.13 Authorization to Execute Agreement. Each individual executing this Agreement represents and warrants he or she is duly authorized to execute and deliver this Agreement on behalf of the Party named herein and this Agreement is binding upon said Party in accordance with its terms.
- 14.14 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same agreement.
- 14.15 Exhibits. The following exhibits are attached to this Agreement and incorporated herein as though set forth in full for all purposes:
Exhibit A: Diagram of the Property

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year shown below the name of each of the parties.

DEVELOPER:
EDEN HOUSING, INC.,
a California non-profit public benefit corporation

CITY:
CITY OF VALLEJO,
a charter city and municipal corporation

By: _____
Andre Madeira
Senior Vice President, Real Estate
Development

By: _____
Greg Nyhoff
City Manager

DATE: _____

DATE: _____

Vallejo Business License No.

ATTEST:
By: _____
Dawn Abrahamson
City Clerk

(City Seal)

APPROVED AS TO CONTENT:

Will Morat
Assistant to the City Manager

APPROVED AS TO FORM:

Claudia Quintana
City Attorney

APPROVED AS TO INSURANCE:

Herbert Lester
Risk Manager

EXHIBIT "A"
Legal Description

For APN/Parcel ID(s): 0051-080-540 and 0051-190-390

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF VALLEJO, COUNTY OF SOLANO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

TRACT A

Parcel One:

Lots 10 and 11, as the same are shown on that certain Map entitled: "New Home Subdivision, Vallejo, Solano County, California", filed in the office of the County Recorder of Solano County, California on July 27th 1970 in Book 9 of Maps, Page 42.

Parcel Two:

Lots 12 and 13, as the same are shown on that certain Map entitled: "New Home Subdivision, Vallejo, Solano County, California", filed in the office of the County Recorder of Solano County, California on July 27th 1970 in Book 9 of Maps, Page 42.

Parcel Three:

That portion of the parcel entitled: "Jack and Helen R. Cannon, by Instrument No. 013 085 dated July 7, 1960 Official Records of Solano County", as shown on that certain Record of Survey of Lots 12, 13, 14, 15 and 16, New Home Subdivision and adjoining Parcel made by Ike B.. Bond, R.C.E. 7538, and filed for record February 14, 1961 in Book 7 of Surveys at Page 66, as Recorder's Instrument No. 3009; more particularly described as follows:

Beginning at the most Easterly corner of Lot 14, as the same is shown on that certain Map entitled: "New Home Subdivision", recorded July 27, 1940 in Book 9 of Maps, Page 42, in the office of the County Recorder of Solano County, California; thence along the Southeasterly boundary of said Lot 14, North 50° 43' West, a distance of 25 feet to the true point of beginning of this description; thence North 39° 17', East to the Northeasterly boundary of the Survey Parcel herein referred to; thence along the Northeasterly boundary South 47° 45' 21" East to the most Easterly corner of said Parcel; thence along the Southerly boundary of said parcel South 85° 49' 54" West, a distance of 41.41 feet to the Southwesterly corner thereof; which is a point on the Northeasterly boundary of Lot 12, New Home Subdivision, thence, along said Northeasterly line on a curve concave to the Southwest having a radius of 340 feet, through an angle of 5° 17' 17", an arc distance of 31.38 feet; to the most Easterly corner of Lot 13, New Home Subdivision, thence along the Southwesterly boundary of said Parcel and the Northeasterly boundaries of Lots 13 and 14, New Home Subdivision, North 50° 43' West, to the true point of beginning.

Parcel Four:

Commencing at the Southwesterly corner of Lot 10 of the New Home Subdivision, as said lot is shown on a Map of said Subdivision, recorded July 27, 1940 in Book 9 of Maps at Page 42, Solano County Records, thence South 78° 20' 45" West, 21.21 feet to a point of a non-tangent curve, having a radial bearing of South 64° 57' 24" West, thence Northwesterly along a curve concave to the West having a radius of 793 feet, a central angle of 15° 15' 51" and a length of 211.26 feet thence North 39° 17' East, 0.42 feet; thence along the Easterly right of way of Sacramento Street the following courses: South 50° 43', East 75.00 feet to a point of a tangent curve concave to the West having a radius of 220.00 feet, a central angle of 39° 03' 55" and a length of 150.00 feet to the point of beginning.

APN: 0051-080-540

TRACT B

Lots 7, 8, and 9, as the same are shown on that certain Map entitled "New Homes Subdivision, Vallejo, Solano County, California", filed for record in the Office of the Solano County Recorder on July 27, 1940, in Book 9 of Maps, page 42.

APN: 0051-190-390



DATE: December 18, 2018
TO: Mayor and Members of the City Council
FROM: Ron Millard, Finance Director
SUBJECT: **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

RECOMMENDATION

Adopt a resolution assigning fund balance and accept the City's Comprehensive Annual Financial Report (CAFR) and Memorandum on Internal Controls and Required Communications (MOIC) for the fiscal year ended June 30, 2018.

REASONS FOR RECOMMENDATION

The City is required by Charter Section 721 to have an independent audit of its financial records performed each fiscal year. The audited financial statements for the fiscal year that ended June 30, 2018, have been completed. Governmental Accounting Standards Board (GASB) Statement No. 54 requires that fund balance be "assigned" through approval by the City Council.

BACKGROUND AND DISCUSSION

Each year, the City is required by Charter Section 721 to have an independent audit of its financial records. For Fiscal Year 2017-2018 the City engaged Maze & Associates, an independent certified public accounting firm, to perform the annual audit of the City of Vallejo and its component units. The audit has been completed.

The Comprehensive Annual Financial Report (CAFR) is a comprehensive document reflecting the financial position of the City and its related component units. The 2017-2018 CAFR has been prepared in conformance with Generally Accepted Accounting Principles (GAAP) and with the additional requirements of presentation as set by the Governmental Accounting Standards Board (GASB). The CAFR Transmittal Letter and the Management's Discussion and Analysis section provide an overview and analysis of the financial activities of the year ended June 30, 2018.

If approved, the City will submit the CAFR to the Government Finance Officer's Association for consideration for the Certificate of Achievement for Excellence in Financial Reporting (CAFR Program) and post the CAFR on our City website.

The City has received an "unmodified" opinion from our auditors, Maze and Associates. This means that in their opinion the basic financial statements present, in all material respects the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, for the City as of June 30, 2018, in accordance with Generally Accepted Accounting Principles (GAAP).

In FY 2016-17, the audit team identified 5 audit findings of significant deficiencies, most of which have been addressed by the City. The 2017-18 audit identified one such new deficiency regarding "Inaccurate Customer Fees Charged", and three prior-year findings that remain to address, regarding: "Compliance with Credit Card Use Policy"; "Employee Benefits - Clarify Benefits for Contract Employees"; and "Inaccurate Permit Fees". The Memorandum on Internal Controls and Required Communications (MOIC), which includes the City's written response to each deficiency, which will be provided.

The Governmental Standards Accounting Board ("GASB") issued GASB Statement No. 54 in February 2009. GASB Statement No. 54 created five components of fund balance. In order to implement this standard, a resolution assigning certain components of the fund balance has been prepared for the City Council's consideration (Attachment 1). The five components of the City of Vallejo General Fund balance as of June 30, 2018 are explained below and presented in Exhibit 1 to Attachment 1:

- Non-spendable fund balance – items that do not represent available, spendable resources even though they are a component of assets. These include resources that inherently cannot be spent such as pre-paid rent or the long-term portion of loans receivable. As of June 30, 2018, the Non-spendable fund balance is \$2,141,630.
- Restricted fund balance – items that are subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations which requires the resources to be used only for a specific purpose. Encumbrances and non-spendable amounts subject to restrictions are included along with spendable resources. As of June 30, 2018, the Restricted fund balance is \$2,269,039.
- Committed fund balance – items that have constraints imposed by formal action of the City Council which may only be altered by formal action of the City Council. As of June 30, 2018, the Committed fund balance is \$6,810.
- Assigned fund balance – items reflecting the City's intent to be used for a specific purpose, but are neither restricted nor committed. As of June 30, 2018, the Assigned fund balance is \$4,208,034.
- Unassigned fund balance – items that represent the residual amounts that have not been restricted, committed or assigned, including the residual General Fund balance and residual fund deficits, if any, of other governmental funds. As of June 30, 2018, the unassigned fund balance is \$21,235,769.

In addition to the CAFR and MOIC, our auditors also provide the City of Vallejo with a number of smaller reports: (1) the Housing Authority report, (2) the Independent Accountant's Report on Applying Agreed-Upon Procedures, and (3) the Independent Accountant's Report on Compliance with Proposition III 2017-18 Appropriations Limit Increment.

NEXT STEPS

In February, the City Council will review the City's FY 2018-19 financial performance as part of the City's annual mid-year budget process. Staff will make recommendations regarding the transfer and use of City funds to address current needs and meet changing service demands.

FISCAL IMPACT

If the City Council approves the proposed action, the General Fund balance will be allocated as shown below:

Total Fund Balance Detail:	Amount
Unassigned, including Measure B reserves	\$21,235,769
Nonspendable	\$ 2,141,630
Restricted	\$ 2,269,039
Committed	\$ 6,810
Assigned	\$4,208,034
Total	\$29,861,282

Please see Exhibit 1 to the Resolution for a detailed breakdown of the five components of the City of Vallejo General Fund balance as of June 30, 2018.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guidelines section 15378.

ATTACHMENTS

1.	draft_cafir resolution
2.	Exhibit 1 to Resolution
3.	Vallejo - CAFR 2018 - Print Version
4.	Vallejo - MOIC
5.	Vallejo Required Communications
6.	Vallejo HA BFS
7.	Vallejo Navy AUP
8.	Vallejo Bond Letter 2018
9.	Vallejo Gann

CONTACT

Ron Millard, Finance Director, (707) 648-4592

Ron.Millard@CityofVallejo.net

**RESOLUTION NO. 18-___ N.C.
ASSIGNING FUND BALANCES AS OF JUNE 30, 2017**

**RESOLUTION NO.
ASSIGNING FUND BALANCES AS OF JUNE 30, 2018**

WHEREAS, the City is required by Charter Section 721 to have an independent audit of its financial records; and

WHEREAS, an independent audit was conducted by Maze and Associates, and has confirmed that the City of Vallejo ended Fiscal Year 2017-18 with a General Fund Unassigned, Nonspendable, Restricted, Committed and Assigned Fund Balance total of \$29,861,282; and

WHEREAS, the Governmental Standards Accounting Board (GASB) issued GASB Statement No. 54 regarding fund balance reporting in February 2009; and

WHEREAS, GASB 54 requires City Council action in order to include amounts in the Assigned Fund Balance category.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Vallejo does hereby categorize the fund balances as defined by GASB 54 as of June 30, 2018, as shown in **Exhibit 1** to this Resolution.

Adopted by the City Council of the City of Vallejo at a regular meeting held on December 18, 2018 with the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

BOB SAMPAYAN, MAYOR

ATTEST:

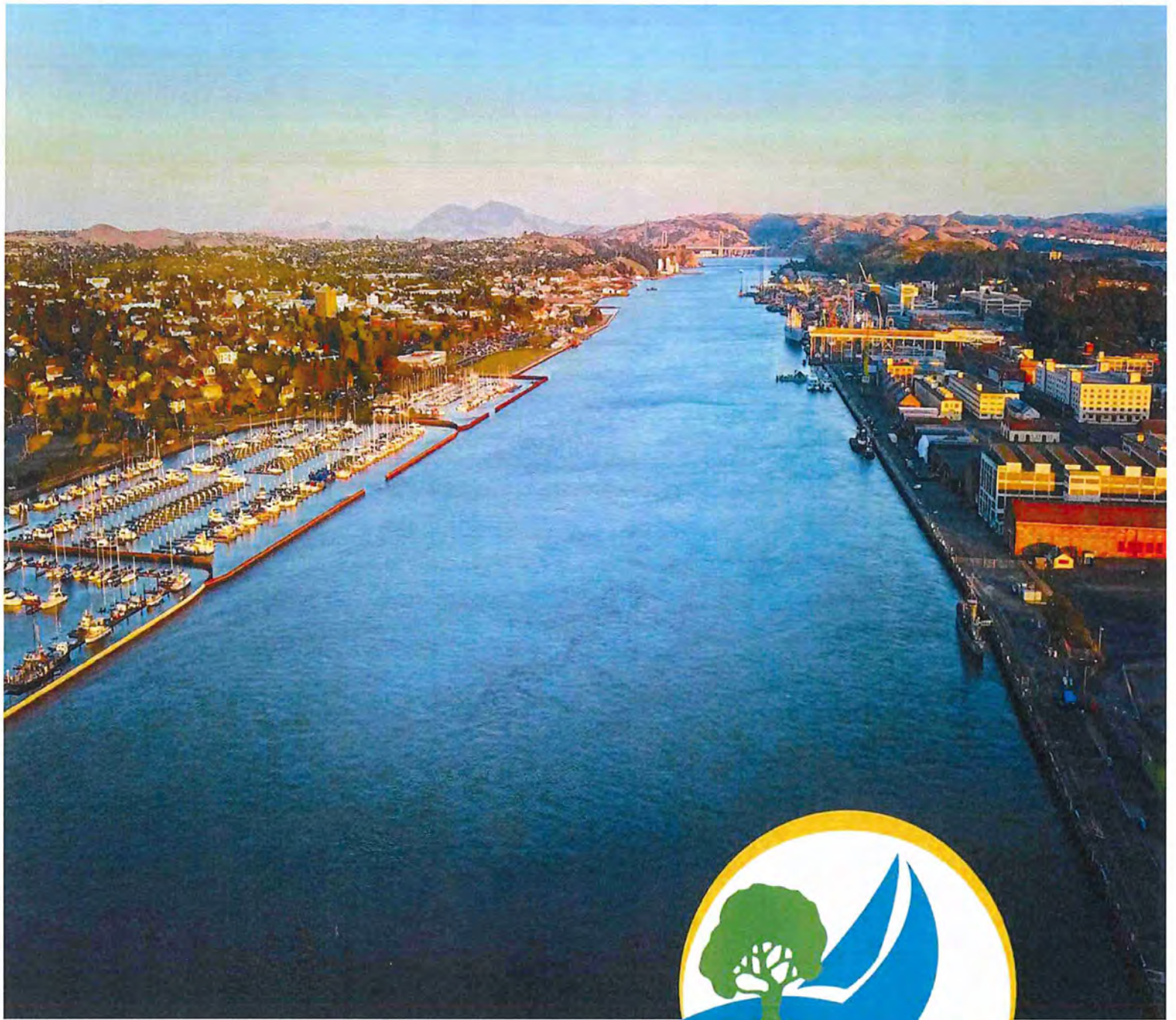
DAWN G. ABRAHAMSON, CITY CLERK

**City of Vallejo
General Fund
Fund Balance
Budget to Actual Comparison
(Including Measure B)**

	FY 16-17			FY 17-18		
	Original Budget	Revised Budget	Actual (Audited)	Original Budget	Revised Budget	Actual (Audited)
Beginning Unassigned Fund Balance, including Measure B	15,136,786	14,679,786	14,679,786	15,679,786	15,679,786	15,679,786
Revenues	96,477,211	100,192,505	102,154,169	101,092,285	103,973,183	105,966,412
Expenditures	97,858,501	106,081,089	97,521,024	100,389,695	112,467,377	106,486,794
Annual Operating Results	(1,381,290)	(5,888,584)	4,633,145	702,590	(8,494,194)	(520,382)
Reserve Transactions	-	2,671,095	(3,633,145)	-	9,075,045	6,075,931
Ending Unassigned Fund balance	13,755,496	11,462,297	15,679,786	16,382,376	16,260,637	21,235,769

CAFR/Ending Fund Balance Comparison

	FY 16-17 (Audited)	FY 17-18 (Audited)
Total Fund Balance detail:		
Unassigned, including Measure B reserves	15,679,786	21,235,769
Others:		
<u>Nonspendable</u>		
Prepaid Expenses	21,418	8,126
PERS retirement contribution		
Others		
Notes Receivable	801,042	801,042
Advance to Other Funds	830,000	830,000
Land held for Redevelopment	499,684	499,684
Material, Parts and Supplies	434	2,778
	<u>2,152,144</u>	<u>2,141,630</u>
<u>Restricted for</u>		
Pension Contribution - PARS Trust Fund	-	1,968,128
Handicap Parking Program	197,500	204,300
IAFF Employee contribution to Union Business leave	111,151	73,924
SB 1186 Disability Access & Education Revolving fund	12,087	22,687
	<u>320,738</u>	<u>2,269,039</u>
<u>Committed to</u>		
Measure B Participatory Budgeting Projects	1,224,143	-
General Plan Update, Permit Programs	10,935	6,810
	<u>1,235,078</u>	<u>6,810</u>
<u>Assigned</u>		
Other contracts	1,616,732	1,258,128
Pension Contribution reserves (unfunded)	1,963,521	500,000
Union Contracts	1,412,606	2,037,906
Compensated Absences	112,000	112,000
General Fund Programs (subsequent year's budget)	274,250	
Measure B - Programs (subsequent year's budget)	1,755,951	-
HUD 108 Loan payments		300,000
Public Facilities Maintenance	3,858,424	-
	<u>10,993,484</u>	<u>4,208,034</u>
Subtotal, Others	14,701,444	8,625,513
Total Ending Fund Balance reported in CAFR	30,381,230	29,861,282



City of
VALLEJO
California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

**PREPARED BY THE
FINANCE DEPARTMENT**



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CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Table of Contents

INTRODUCTORY SECTION

Table of Contents i

Transmittal Letter v

Financial Dashboard (Interactive in PDF Version)

Public Officials xiii

Organization Chart xiv

GFOA Certificate of Achievement for Excellence in Financial Reporting xv

FINANCIAL SECTION

Independent Auditor’s Report 1

Management’s Discussion and Analysis 5

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 21

Statement of Activities 22

Governmental Fund Financial Statements:

Fund Financial Statements:

Balance Sheet 26

Reconciliation of Governmental Fund Balances with Governmental Net Position 28

Statement of Revenues, Expenditures, and Changes in Fund Balances 30

Reconciliation of the Net Change in Governmental Fund Balances with the
Change in Government Net Position 32

Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual:

General Fund 33

Housing Authority Special Revenue Fund 34

CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Table of Contents

FINANCIAL SECTION (Continued)

Proprietary Funds:

Statement of Net Position 36

Statement of Revenues, Expenses and Changes in Fund Net Position 38

Statement of Cash Flows 40

Fiduciary Funds:

Statement of Fiduciary Net Position 44

Statement of Changes in Fiduciary Net Position..... 45

Notes to Financial Statements 47

Required Supplementary Information:

City’s Retiree Medical Benefits (OPEB) Schedule of Changes in the Net OPEB Liability
and Related Ratios 121

City’s Retiree Medical Benefits (OPEB) Schedule of Contributions 122

VFWD’s Schedule of Changes in the Net OPEB Liability and Related Ratios 123

VFWD’s Schedule of Contributions 124

VFWD’s Schedule of Investment Returns 125

Schedule of Changes in the Net Pension Liability and Related Ratios
(Miscellaneous Plan)..... 126

Schedule of Contributions (Miscellaneous Plan)..... 127

Schedule of Changes in the Net Pension Liability and Related Ratios (Safety Plan) 128

Schedule of Contributions (Safety Plan)..... 129

Schedule of the Plan’s Proportionate Share of the Net Pension Liability and Related Ratios
as of the Measurement Date – Cost-Sharing Multiple-Employer Defined Benefit
Pension Plan (VFWD)..... 130

Schedule of Contributions – Cost-Sharing Multiple-Employer Defined Benefit
Pension Plan (VFWD) 131

CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Table of Contents

FINANCIAL SECTION (Continued)

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheets136

Combining Statements of Revenues, Expenditures and Changes
in Fund Balances144

Combining Schedule of Revenues, Expenditures and Change
in Fund Balance-Budget and Actual.....152

Internal Service Funds:

Combining Statement of Net Position 164

Combining Statements of Revenues, Expenses and
Changes in Fund Net Position 165

Combining Statements of Cash Flows 166

Fiduciary Funds:

Statement of Changes in Assets and Liabilities 168

STATISTICAL SECTION

Net Position by Component 173

Changes in Net Position 174

Fund Balances of Governmental Funds..... 176

Changes in Fund Balances of Governmental Funds 177

Assessed Value and Estimated Actual Value of Taxable Property 178

Direct and Overlapping Property Taxes Rates 179

Top Ten Principal Property Tax Payers..... 180

Property Tax Levies and Collections..... 181

CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Table of Contents

STATISTICAL SECTION (Continued)

Taxable Sales by Category	182
Top 25 Principal Sales Tax Payers	183
Ratios of Outstanding Debt by Type	184
Ratio of General Bonded Debt Outstanding	185
Direct and Overlapping Debt	186
Legal Debt Margin Information	187
Pledged Revenue Coverage	188
Demographic and Economic Statistics	191
Top Ten Principal Employers	192
Full-time and Part-time City Employees by Function	193
Operating Indicators by Function	194
Capital Asset Statistics by Function	195



OFFICE OF THE FINANCE DIRECTOR · 555 Santa Clara Street · Vallejo · CA · 94590 · 707.648.4592

December 12, 2018

**To the Honorable Mayor, Members of the City Council
And Citizens of the City of Vallejo, California**

It is our pleasure to present to you the 2018 Comprehensive Annual Financial Report (CAFR) for the City of Vallejo, California. This CAFR has been prepared by the Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). The Finance Department has prepared this report to present the financial position of the City of Vallejo at June 30, 2018, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in accordance with Generally Accepted Accounting Principles (GAAP).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, we believe the data, as presented, is accurate in all material aspects and presented in a manner designed to fairly set forth the City's financial position and changes in financial position, and that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The City's basic financial statements have been audited by Maze & Associates CPA, a public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2018, are free of material misstatement. The independent auditors' report is presented as the first component of the financial section of this report.

Management's Discussion & Analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

PROFILE OF GOVERNMENT

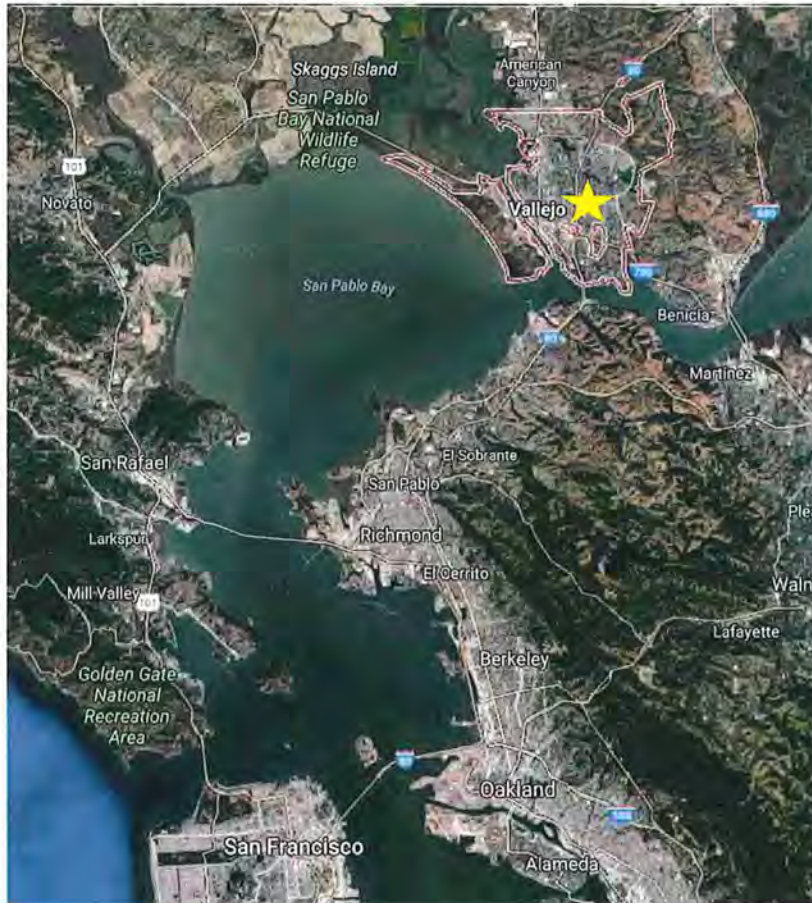
The City of Vallejo is a municipal corporation incorporated in March 1868, under the laws of the State of California. A Charter City located within Solano County in Northern California, the City operates under a City Charter originally adopted in 1911 and last amended in November 2013. The Charter provides for a Council-Manager form of government in which the City Manager recommends policy, program and budget priorities to the City Council, which in turn develops legislation and policies to direct the City.

The City of Vallejo's governing body is elected by the citizens in a general, popular election. The Mayor, elected by the community at-large to a four-year term, acts as the formal representative of the City and presides over Council meetings. The City Council, elected on a nonpartisan basis, consists of six members elected by the community at-large to four-year, staggered terms, with three Council members elected every two years.

Vallejo, with a population of just over 119,000 (estimated as of January 2018), is the largest city in Solano County and the tenth most populous city in the San Francisco Bay Area. Vallejo was the site of Mare Island Naval Shipyard, the first United States Naval base established on the Pacific Ocean. Established in 1853, the shipyard began building ships the following year. More than 500 naval vessels were constructed and thousands were overhauled at Mare Island prior to the base closure in 1996.

The Sacramento, Napa and San Joaquin Rivers all flow into the San Francisco Bay at Vallejo. Rolling hills surround the City, protecting it from fog and wind typical of many coastal towns. The climate is mild Mediterranean. It is connected to the Greater Bay Area, the Pacific Rim, and the rest of the world by ship, rail, automobile and air.

Vallejo is located in Northern California, 30 miles north east of San Francisco, 60 miles south west of Sacramento, 70 miles north of Silicon Valley, and 385 miles north of Los Angeles.



*Map Source: Google Maps

The City provides a wide range of municipal services, including public safety (police and fire protection), a municipal water system, street maintenance and other public works infrastructure functions, housing assistance, golf courses, planning, building inspection, public marina, and general administration. The separate Greater Vallejo Recreation District (GVRD) provides for Parks and Recreation programs and services, Water Emergency Transport Agency (WETA) provides for ferry services and Solano County Transit (SolTrans) provides bus services.

This report includes all organizations and activities for which elected City officials exercise financial accountability. The notes to the financial statements further discuss the City as a financial reporting entity.

Accordingly, the following entities, although legally separate, are component units and are incorporated in the accompanying financial statements:

- Housing Authority of the City of Vallejo (Blended Component Unit)
- Marine World Joint Powers Authority (Blended Component Unit)
- Parking Authority of the City of Vallejo (Blended Component Unit)
- Public Financing Authority of the City of Vallejo (Blended Component Unit)
- Vallejo Flood and Wastewater District (Discrete Component Unit)
- Vallejo Flood and Wastewater District Financing Corporation (Discrete Component Unit)

ECONOMIC CONDITION AND OUTLOOK

Recent economic news indicates that Bay Area, and Solano County's revenue has continued its upward trend since recovering from the recession. While the City is benefitting from those regional trends, it has also been more aggressively marketing the benefits and opportunities available locally with potential commercial partners, and working closely on several prime development prospects that could prove beneficial to long-term revenue and job growth in the City.

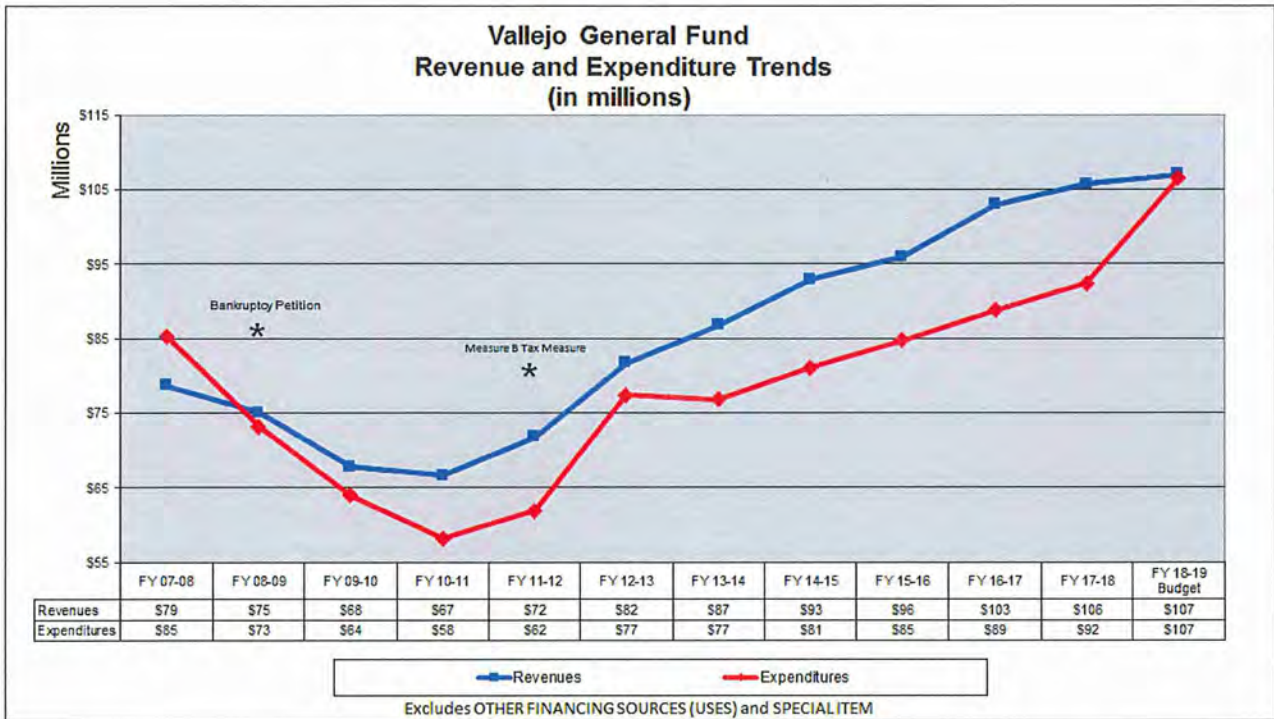
Bay Area real estate trends, recovering property values, and the increasing difficulties of finding affordable housing in some of our neighboring cities, has helped continue Vallejo's real-estate boom through this year. We remain one of the few affordable and up-and-coming cities in the Bay for young professionals and working-class families. An affordable, healthy housing stock, new residential development projects in process, and the ease of commute to San Francisco via ferry put Vallejo in prime position to offer home-seekers a unique opportunity to settle down in an area that can be cost prohibitive.

Employment rates have improved, property and sales tax revenues are increasing and the economy continues to grow modestly. However, it takes some time for recovering economic factors to impact municipalities. While the City has seen significant improvement in revenue sources and development opportunities, it continues to face looming fiscal challenges. The rising costs for employee benefits threatens nearly all California municipalities, and key pieces of City infrastructure are showing their age and would require significant capital expenditures to remedy.

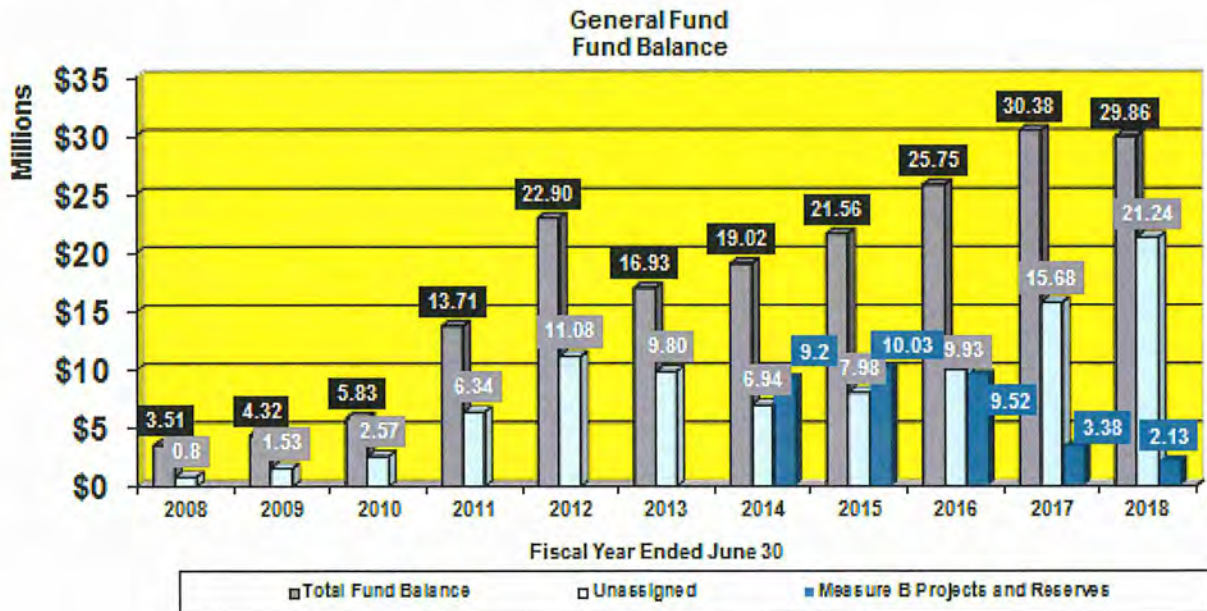
State Budget – According to the California 2018-19 State Budget, while spending has increased over the past six consecutive budgets years, caution is being warranted. The state looks to brace and prepare for the next economic recessionary period and advises caution as, despite an uptick in overall economic conditions, these positive economic trends are expected to come with increased income inequality. The movement to aggressively fill the state's "Rainy Day Fund" should be completed in fiscal year 2018-19.

As the City of Vallejo has historically contained a more economically mixed constituency, tending to trend more middle- and working- class when compared to some of our Bay-Area neighbors, issues of income inequality can affect our residents more greatly. Bracing for the next economic downturn period is prudent.

Revenues and Local Sales Tax Increase - In November 2016, the Vallejo voters approved a sales tax measure, known as "Measure V" that permanently extended the City's 2011 Measure B one-cent per dollar transaction and use tax. This tax continues to bring around \$15 million annually in revenue to the City, with the strategic allocation of these revenues towards specific projects, targeted staffing, and the rebuilding of reserves continues under the direction of City Council. These revenues have positioned the City to address and restore services previously depleted during the resource challenges of the past several years. The following chart tracks the improvement in the total General Fund revenues available to provide the General Fund's public safety and other services.



Current Financial Condition - The graph below illustrates the City's current financial condition and its improved stability since the passage of the 2011 Measure B tax measure, and subsequent passage of Measure V, which removed the sun-setting provision from Measure B. It presents the changes in fund balance for the General Fund for the fiscal year ended June 30, 2018, as compared with the ten prior years. Certain Measure B revenues have been committed to projects and assigned to fund balance reserves. The City is committed to maintaining and growing these fund balance reserves to provide additional strength and assurance for ongoing City operations and future obligations.



General Fund Long-Term Financial Forecast – The City utilizes a General Fund five-year financial forecast to help the City to plan for the future by providing an understanding of available funding while evaluating financial risks and identifying future commitments and resource demands. While the city will operate with a structurally balanced budget again in 2018-19, overall, the City's five year projection indicates that it will still be facing deficits beginning in 2019-20. This is primarily due to CalPERS pension costs escalating \$9.4 million (or 42%) over the next five years due to decreasing discount rates, and health care cost increases of over \$2 million (or 37%) over the next five years.

Lastly, due to insurance and risk management challenges, the City changed insurance providers, and is estimating \$2 million in increased insurance costs (nearly 25%) over the next five years.

Other Post-Employment Benefit (OPEB) Standards – Starting in fiscal year 2017-18, the City implemented the new Post-Employment Benefits (other than pensions) standards, in compliance with GASB Statement No. 75, by reporting a Net OPEB Liability of \$26.9 million as of June 30, 2018.

It is important to note that while the City makes all required contributions including payments on the net OPEB liability, actuarial assumptions including returns on investment, impact the liability of the City.

Pension and Other Post-Employment Benefit (OPEB) Obligations – A continued concern for California cities are notable obligations for pensions and Other Post-Employment Benefits (OPEB), for retiree health care. The California Public Employees' Retirement System (CALPERS) continues to address pension plan risk and funding levels by updating its actuarial demographics assumptions and phasing in contribution increases to address large investment losses dating back to 2009. As a result, employer contribution rates are projected to continue to rise in future years.

During 2017-18, the City contributed 19.716% and 10.645% of employee salary towards the normal cost for its Safety and Miscellaneous pension plans, respectively. In addition, in July 2017, the City paid its required contributions for the unfunded liability in the Safety plan (of \$9,590,677) and the Miscellaneous plan (of \$5,657,436).

Expressed as a total % of payroll, during 2017-18, the City contributed 63.4% and 36.3% of employee salary to its Safety and Miscellaneous pension plans, respectively. Projections utilizing July 2018 CALPERS data show the rates increasing to 90.8% for the Safety plan, and 49.6% for the Miscellaneous plan by FY 2024-25.

The City has previously taken steps to mitigate both this CALPERS rate increase, and its OPEB retiree health obligations. In 2013, the City proactively made a supplemental contribution of \$6.5 million to CALPERS to begin plan stabilization. In August 2017, the City established an Internal Revenue Code (IRC) Section 115 Trust with the Public Agency Retirement Services (PARS) organization and made an initial contribution of \$1 million dollars, and an additional \$1 million contribution in May 2018, to further mitigate against future CALPERS increases.

During 2013-14, the City made an initial \$10 million contribution to a dedicated and irrevocable retiree health benefits trust fund, to begin to provide the resources necessary to ensure long-term funding for its OPEB obligation, and follow-up contributions of \$2.4 million in 2014-15, \$1.6 million in 2015-16, \$1.8 million in 2016-17, and \$1.3 million in 2017-18.

Fiscal Stability – During the past fiscal year, the City has made significant progress towards the goal of fiscal stability, including: City Council approving the City's fifth structurally balanced budget in a row (from 2014-2018) receiving, in December 2018, for the fifth consecutive year, an Unmodified Audit Opinion, and maintaining a General Fund reserves in excess of the City Council's established level of 15% of expenditures for the past three fiscal years. The approval of ballot Measure V also adds a layer of stability to the City's finances going forward.

MAJOR INITIATIVES

Each year provides the City a new opportunity to identify, address and resolve issues facing the community and its residents. The City's major challenge is to finance the services needed to maintain the quality of life that has attracted growth to the Vallejo community.

Development Initiatives – The City continues to focus on economic development with a commitment to advance job growth, increase retail and commercial opportunities, capitalize on the increased residential market activity in our area, and maintain an excellent quality of life for all residents.

Several exciting "Pipeline Projects", on key pieces of property are seeing significant movement, and staff are working diligently to expedite these projects with the vision that their success will ripple through the community and help bolster future development opportunities. These projects include significant development on a 157-acre portion of Vallejo's North Mare Island, and increased interest in the revitalization of the municipal Blue Rock Springs Golf Course. The increased interest in craft beverage production along the mouth of the Napa River bringing exciting anchor-businesses, retail, entertainment and food service locations to a historic walkable area with ferry service to San Francisco. Home building continues to be active with the continued build-out of 70+ residential units by KB Home, and a 140+ assisted living units under development in the Glen Cove Marina location, while other build-outs previously mentioned continue moving toward completion.

Neighborhood Law and Code Enforcement Programs – The City Attorney's office, in conjunction with Code Enforcement and other departments, have continued the "Neighborhood Law" and pro-active code enforcement program to address and improve the appearance of blighted properties throughout the City.

Municipal Fiber Enterprise – The City has embarked on an ambitious project, partnering with the private sector to provide accessibility to the city-owned fiber optic network at competitive prices to major economic and academic engines within the city. Planned expansion to the City's network, and a rework of the service level tiers available to customers, should provide tangible benefit to attract business to the City of Vallejo going forward.

Downtown Parking Improvements & Enforcement – Increased ridership of the San Francisco Bay Ferry, and utilization of the terminal located on the Vallejo waterfront, as well as economic growth and development in the City's downtown area, have led to an increased need to provide safe and adequate parking facilities for residents, visitors, and commuters. The City has partnered with carefully chosen third parties to provide enhanced parking enforcement and unarmed security services in the Downtown, as well as throughout the Waterfront parking areas, including the Vallejo Station Parking Structure, Phase I. Plans for the second phase of the Vallejo Station Parking Structure are in development.

Participatory Budgeting – In 2012, the Vallejo City Council established the first city-wide Participatory Budgeting (PB) process in the United States, where residents have the opportunity to propose how to spend a portion of the city budget. Through the PB process, Vallejo residents and stakeholders share ideas, develop project proposals, residents vote on projects, and the approved list of projects that receive the most votes are submitted to City Council for consideration. By Fiscal Year 2017-18 nearly thirty projects have been approved over the course of the PB process, totaling more than \$8 million in funding, while engaging over 15,000 residents of Vallejo.

Staffing & Collective Bargaining– Multiple key positions that were vacant, or recently vacated have been filled this fiscal year, bringing new talent and fresh ideas to the City. The Human Resources Department has also been making significant strides to modernize the City's hiring and onboarding practices.

For the first time in nearly a decade, the City has reached an agreement and signed a Memorandum of Understanding (MOU) with the Vallejo Police Officers Association (VPOA), and is on path to sign agreements with all other bargaining groups and units. This allows the City better leverage in attracting and retaining talented and dedicated staff in what has turned out to be a very competitive employment market. Staffing for key positions across the City has also improved.

Interactive CAFR Dashboard – In an effort to further promote financial transparency, the City of Vallejo continues providing tools to allow easier access to complex financial data in a more graphical, manageable and interactive format for financial statement users. We are proud to continue including this award winning and internally developed, interactive "Financial Dashboard" in the PDF version of this year's CAFR report. The page following this transmittal letter contains a fully interactive dashboard, integrated with 10 years of CAFR data (requires latest version of [Adobe Flash Player](#)), which enables a user to perform a comprehensive comparison and detailed analysis of annual revenues and expenditures.

BUDGETARY CONTROL

The City maintains budgetary controls through the City Council's adoption of an annual budget and by maintaining an encumbrance accounting system. The Vallejo Municipal Code requires the City Manager to present the Annual Budget to the City Council for approval 45 days prior to the start of the new fiscal year. Expenditures for City operations and other purposes identified in the annual budget cannot legally exceed the budgeted amounts approved by the City Council. The City Manager may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency after being given one week's notice of intention to do so, by resolution by the City Council.

Ultimate budgetary control resides at the fund level; however, the City has adopted a number of budgetary appropriation and transfer procedures to provide strong internal controls while encouraging improved accountability and administrative responsiveness. All budgetary transfers require Finance Director (or designee) review and approval. All transfers of appropriations affecting salaries & benefits require City Manager (or designee) review and approval.

Budgetary control is established at the following levels: a) General Fund – Department level; b) Other Funds – Fund level; and Capital Projects – at Department level with City Manager signature approval. The City Manager may authorize line item budget transfers within a General Fund department, or within a fund other than the General Fund, consistent with the City Charter, the Vallejo Municipal Code and budget resolution.

The City also uses encumbrance accounting as another technique for accomplishing budgetary control. An encumbrance is a commitment of a future expenditure earmarked for a particular purpose that reduces the amount of budgetary authority available for general spending. At the end of the fiscal year, encumbered appropriations, appropriations for uncompleted capital, Participatory Budgeting, and grant projects are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse.

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

INTERNAL CONTROL

In developing and enhancing the City's accounting system, significant consideration is given to the adequacy of the City's system of internal accounting controls. Internal controls are designed to provide reasonable assurance regarding the safeguarding of assets against the loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

AWARDS

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

We are once again pleased to report that the Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Vallejo for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

ACKNOWLEDGEMENTS

The preparation and publication of this Comprehensive Annual Financial Report was made possible by the outstanding efforts, dedication, and teamwork throughout the year of the entire Finance Department who prepared and compiled this report with the cooperation and assistance of all City departments. We would like to express our appreciation to all members of the Finance Department.

Specifically, I would personally like to express special thanks to Florita Cruz, Deputy Director; Rekha Nayar, Deputy Director; Jon R. Oiler, Auditor Controller; Calvin Cho, Accounting Manager; Winnie Daba, Senior Accountant, Ray Fortaleza, Senior Accountant, Jason Ackley, Administrative Analyst II, and the Finance Department staff as they have worked closely with our auditors in finalizing this report. Additionally, we would like to thank the City's audit firm of Maze & Associates CPA for the professional support and guidance they have given us. I would also like to thank the Mayor and the members of the City Council for their continued support in leading the City towards the goal of attaining long-term fiscal stability.

Respectively submitted,

A handwritten signature in blue ink that reads "Ron Millard". The signature is written in a cursive, flowing style.

Ron Millard, FCPA, FCGA
Finance Director

STATEMENT OF REVENUES AND EXPENDITURES

Fiscal Year Ended June 30, 2008 to 2018

Fiscal Year Ended June 30, 2008 to 2018

Comparison of Actuals

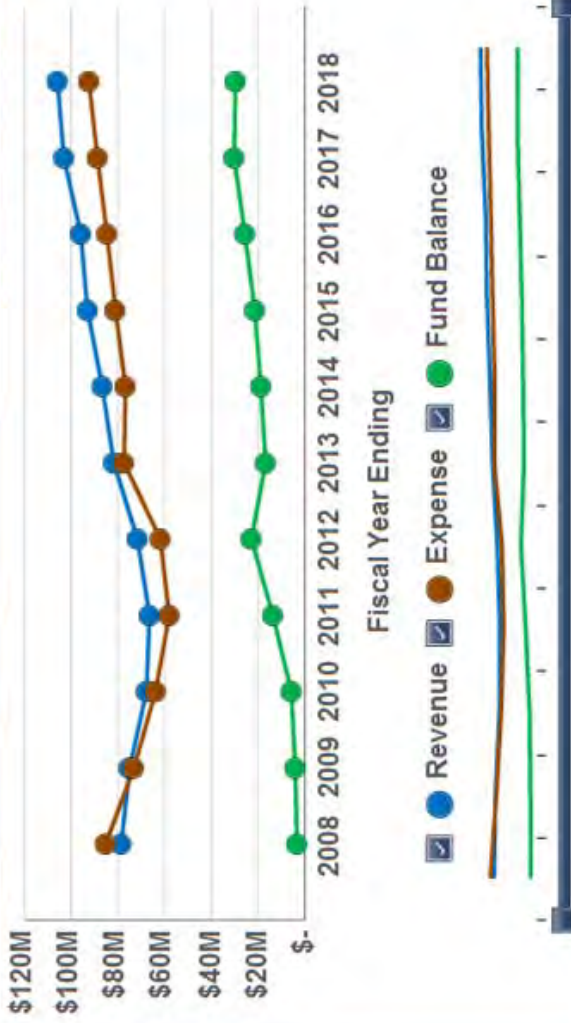
Category	2018	2017	Variance	%
REVENUES:				
Taxes	\$75,440,179	\$73,966,738	\$1,473,000	2%
Licenses, permits and fees	\$3,427,062	\$3,289,299	\$138,000	4%
Fines and forfeitures	\$1,651,977	\$1,569,829	\$82,000	5%
Intergovernmental	\$12,939,854	\$12,265,596	\$674,000	5%
Use of money and property	\$1,440,502	\$1,330,609	\$110,000	8%
Charges for services	\$10,636,250	\$9,975,659	\$661,000	7%
Other	\$237,719	\$608,991	-\$371,000	-61%
Total Revenues	\$105,773,543	\$103,006,721	\$2,767,000	3%
EXPENDITURES:				
Current:				
Legislative and advisory	\$296,548	\$298,748	-\$2,000	-1%
Executive	\$2,689,380	\$2,758,675	-\$69,000	-3%
Finance	\$1,806,258	\$2,047,751	-\$241,000	-12%
Human resources	\$1,200,631	\$1,023,566	\$177,000	17%
Law	\$1,232,890	\$1,272,095	-\$39,000	-3%
Development services	\$2,612,842	\$2,379,777	\$233,000	10%
Community development	\$2,388,432	\$2,474,768	-\$86,000	-3%
Fire services	\$25,641,453	\$24,625,394	\$1,016,000	4%

Total Summary

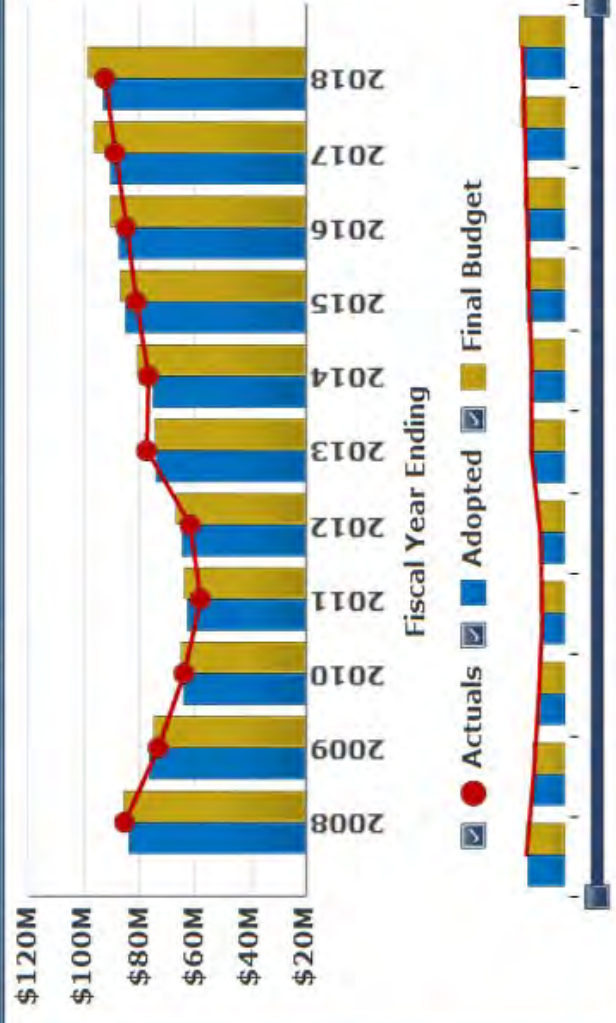
Actuals	2018	2017
Total Revenues	\$105,773,543	\$103,006,721
Total Expenditures	\$92,450,952	\$88,798,962
Fund balance, June 30	\$29,861,282	\$30,381,664

Vallejo General Fund

Revenue and Expenditure Trends



Budgeted vs. Actual Expenditures FYE 2008 - 2018



CITY OF VALLEJO

Public Officials

City Council

	<u>Term Expires</u>
Bob Sampayan, Mayor	January 2021
Katy Miessner, Vice Mayor	January 2019
Robert McConnell, Councilmember	January 2021
Pippin Dew-Costa, Councilmember	January 2019
Jesus Malgapo, Councilmember	January 2019
Hermie Sunga, Councilmember	January 2021
Rozzana Verder-Aliga, Councilmember	January 2021

City Manager

Greg Nyhoff

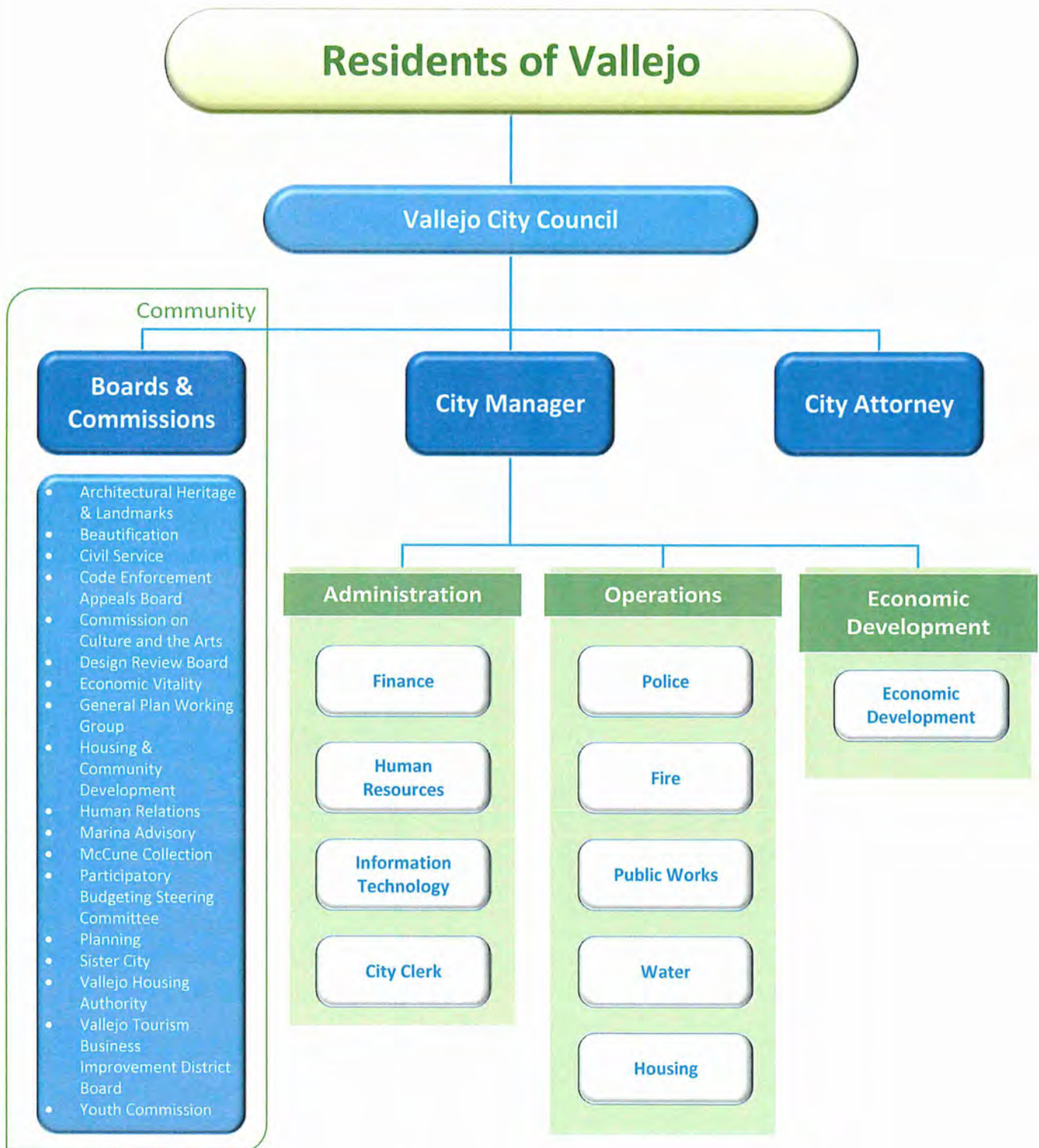
City Attorney

Claudia Quintana

Senior Leadership Team

Teri Killgore, Assistant City Manager
Ron Millard, Finance Director
Vacant, Human Resources Director
Andrew Bidou, Police Chief
Vacant, Fire Chief
Terrance Davis, Public Works Director
Michael Malone, Water Director
Vacant, Planning & Development Services Director
Dawn Abrahamson, City Clerk
Greg Taylor, IT Director

Citywide Organizational Chart





Government Finance Officers Association

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

Presented to

**City of Vallejo
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of City Council, and City Auditor
Vallejo, California

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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.

Emphasis of Matters

As discussed in Note 15, pursuant to ABx1 26 adopted by the State of California, which was validated by the California Supreme Court on December 28, 2011, the Vallejo Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by a Housing Successor and a Successor Agency effective January 31, 2012. Prior to the Redevelopment Agency dissolution, the Agency Board approved various agreements which obligated it to repay certain advances to the City. During fiscal year 2016, the Oversight Board approved three of these loan agreements as an Enforceable Obligation to be listed on future Recognized Obligation Payment Schedules of the Successor Agency, which was not questioned by the California Department of Finance (DOF). In November 2016, the DOF denied the three loans on the Successor Agency's Last and Final Recognized Obligation Payment Schedule (ROPS) submission, and again denied them on the 2017-18 annual ROPS submission. Therefore, as discussed in Note 4I, the City contests the denial, but has not yet determined what action it may take, if any, therefore, the City reported these loans to their full value of \$3,268,019, with an offsetting allowance in the same amount as of June 30, 2018.

The City's position on this matter is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. A provision for an allowance for collectability resulting from the outcome of this uncertain matter has been recorded in the accompanying financial statements.

The emphasis of these matters does not constitute a modification to our opinions.

Changes in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements and required the restatement of beginning net position as discussed in Notes 11 and 12E.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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, Supplemental 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 Supplemental 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 Supplemental 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 December 12, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mane & Associates

Pleasant Hill, California
December 12, 2018



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MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2018

This narrative of the City of Vallejo's financial performance provides an overview and analysis of the City's financial activities for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Transmittal Letter, the Basic Financial Statements, and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

Government-wide (full accrual basis)

- The assets and deferred outflows of both governmental activities and business-type activities of the City exceeded its liabilities and deferred inflows at the close of fiscal year by \$199.1 million and \$44.8 million (net position), respectively.
- The City's total net position decreased by \$19.1 million, primarily as a result of reporting the net unfunded liabilities of the City's pension and Other Postemployment Benefits (OPEB) plans in the basic financial statements.
- Net pension liability increased by \$23.2 million to \$300.5 million, which represents 39% of the City's total pension liability (\$763.3 million). This obligation remains larger than the sum of all other bond and long-term liabilities combined. Future tax and other revenues will continue to fund and reduce the net pension liability over time as the City's pension administrator, CalPERS, updates and phases in funding rates to address past actuarial losses. For more information on the net pension liability, please refer to Note 10 of the Basic Financial Statements.
- During the fiscal year, the City implemented the new OPEB accounting standards. A new Net OPEB Liability of \$26.9 million was recorded and the City's net position at July 1, 2017 was restated by \$14.5 million. The \$26.9 million represents the unfunded portion of the City's future OPEB commitments, which are currently 40% funded. For more information on the implementation of GASB Statement No. 75, please refer to Note 11 of the Basic Financial Statements.

Fund level (modified accrual basis)

- The City's governmental funds' combined ending fund balance of \$112.8 million was up \$8.8 million from the prior ending balance \$104 million. This increase predominantly came from the unspent capital project appropriations in the City's Capital Outlay fund.
- The General Fund reported a total fund balance of \$29.9 million. This represents a slight drop in fund balance of \$0.5 million, or 1.7% from the previous fiscal year. Of the total fund balance, \$21.2 million, or 71%, was unassigned or available for spending at the City's discretion.

- The City’s General Fund contingency reserves remained above the Council’s benchmark of 15% of expenditures. The City continued to bolster the unassigned fund balance in its General Fund, which now stands at 20% of the subsequent year’s \$106.5 million annual operating budget (including Measure B programs).

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report is presented in the following sections:

- 1) This introductory commentary, *Management’s Discussion and Analysis*
- 2) *Basic Financial Statements*, including:
 - a. Government-wide financial statements
 - b. Fund financial statements
 - c. Notes
- 3) Required Supplementary Information
 - a. Net OPEB Liability and Contribution Schedules
 - b. Net Pension Liability and Contribution Schedules
- 4) Supplemental Information:
 - a. Non-major governmental funds
 - b. Internal service funds
 - c. Agency funds

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as introduction to the City’s Basic Financial Statements, comprised of the Government-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City’s financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements provide a long-term view of the City’s activities as a whole. The Statement of Net Position provides information about financial position, including capital assets and long-term liabilities on a full accrual basis, similar to that used by commercial enterprises. The Statement of Activities provides information about the City’s revenues and expenses, also on a full accrual basis, with emphasis on measuring the net revenues and expenses of City programs. Information is presented both in total and separately for governmental activities, which are generally supported by taxes and grants, and business-type activities, which are generally supported by user fees. The City’s activities include the activities of multiple legal entities, and the Vallejo Flood and Wastewater District (VFWD, formerly Vallejo Sanitation and Flood Control District), a discretely presented component unit, because the City is either financially accountable for these entities or has control of the governing board of these entities.

Fund Financial Statements

The Fund Financial Statements report the City’s operations in more detail than the government-wide statements. The focus is on the individual funds that are used to report the status of restricted or, otherwise, segregated resources and to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories:

- Governmental Funds – Most of the City’s basic services are included in governmental funds, which focus on how money flows into and out of these funds and the balances remaining at fiscal year-end that are available for spending. These funds’ statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. Governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the fiscal year. This information may be appropriate in evaluating a government’s ability to meet its near-term financial requirements.

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

- Proprietary Funds – When the City charges customers for services it provides, whether to outside customers or other units of the City, these monies are generally reported in proprietary funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds. These funds' statements are prepared on a full accrual basis of accounting, similar to that used by private sector companies. The City's enterprise funds are the same as the business-type activities reported in the Government-Wide Statements, but provide more detail and additional information, such as a statement of cash flows.
- Fiduciary Funds – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The City's fiduciary activities are reported in separate statements including the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Fund Net Position. These activities are excluded from the Government-Wide Financial Statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds are prepared on the full accrual basis, similar to the proprietary funds. The City has two types of fiduciary funds: the agency funds and the private purpose trust funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the Financial Statements follow the basic financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and retiree medical benefits to its employees. Required Supplementary Information follow the notes to the financial statements. Supplementary information on non-major governmental funds and internal service funds are also presented immediately following the required supplementary information on pensions.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following is a summary of the City's government-wide net position as of June 30, 2018 and 2017, as measured on a full accrual basis of accounting, along with highlights of changes from the prior year and a discussion of some of the most significant balances (in millions):

Statement of Net Position
as of June 30, 2018 and 2017
(In millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017 *	2018	2017 *	2018	2017 *
Assets						
Current and other assets	\$196.6	\$159.7	\$41.1	\$40.5	\$237.7	\$200.2
Capital assets	332.8	335.7	108.8	108.9	441.6	444.6
Total assets	<u>529.4</u>	<u>495.4</u>	<u>149.9</u>	<u>149.4</u>	<u>679.3</u>	<u>644.8</u>
Deferred Outflows of Resources						
Unamortized loss on refunding of debt			0.7	0.9	0.7	0.9
Related to pensions	51.2	40.1	6.0	5.0	57.2	45.1
Related to OPEB	3.5		0.8		4.3	
Total deferred outflows	<u>54.7</u>	<u>40.1</u>	<u>7.5</u>	<u>5.9</u>	<u>62.2</u>	<u>46.0</u>
Liabilities						
Current and other liabilities	54.5	26.5	11.9	10.8	66.4	37.3
Net pension liability	266.8	246.5	33.7	30.8	300.5	277.3
Other long-term liabilities	55.0	42.9	66.5	65.5	121.5	108.4
Total liabilities	<u>376.3</u>	<u>315.9</u>	<u>112.1</u>	<u>107.1</u>	<u>488.4</u>	<u>423.0</u>
Deferred Inflows of Resources						
Related to pensions	8.3	4.5	0.4	0.3	8.7	4.8
Related to OPEB	0.4		0.1		0.5	
Total deferred inflows	<u>8.7</u>	<u>4.5</u>	<u>0.5</u>	<u>0.3</u>	<u>9.2</u>	<u>4.8</u>
Net position						
Net investment in capital assets	316.6	318.6	44.3	40.8	360.9	359.4
Restricted	69.9	70.5	5.2	5.3	75.1	75.8
Unrestricted	<u>(187.4)</u>	<u>(174.0)</u>	<u>(4.7)</u>	<u>1.8</u>	<u>(192.1)</u>	<u>(172.2)</u>
Total net position	<u>\$199.1</u>	<u>\$215.1</u>	<u>\$44.8</u>	<u>\$47.9</u>	<u>\$243.9</u>	<u>\$263.0</u>

* Not restated for the implementation of GASB 75.

Total assets increased \$34.5 million, or 5% to \$679.3 million. The significant changes in assets occurred in the following areas:

- The current assets and other assets balance increased by \$37.5 million or 19% to \$237.7 million. This is primarily attributable to the City's receipt of the \$31.0 million from the Steadfast settlement agreement for the Mare Island Environmental Remediation Project and unspent appropriations in Capital Project Funds.
- The City's capital asset balance of \$441.6 million decreased by \$3 million from the prior fiscal year. The City expended \$11.8 million in new capital improvements (including construction in progress) during the year, and \$1.5 million in the purchase of land parcels at Sacramento and Maine streets. These additions were offset by \$16.3 million in depreciation and retirements/adjustments.

Total liabilities were up \$65.4 million, or 15% to \$488.4 million. The significant changes in liabilities occurred in the following areas:

- The current and other liabilities balance grew by \$29.1 million, mainly due to the recording of the \$31.0 million Steadfast settlement as unearned revenues as of June 30, 2018.
- The City's net pension liability increased by \$23.2 million, or 8% to \$300.5 million. This increase was largely driven by the recent change in the discount rate used to measure the total pension liability from 7.5% to 7.15% in the current fiscal year.
- The City added \$13.1 million in its other long-term liabilities balance, from \$108.4 million to \$121.5 million. The City implemented GASB statement No. 75 during the fiscal year and required to report a new net OPEB liability of \$26.9 million. This addition was offset by the City's bond and loan repayments and reversal of the prior year's net OPEB obligation amount based on the old GASB Statement No. 45.

At the close of the fiscal year, the City reported positive balances in all categories of net position except for unrestricted net position.

- Net investment in capital assets of \$360.9 million represents the largest portion of the City's net position. The City uses these capital assets to provide services to its residents and other stakeholders. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, as the capital assets themselves could not be used to liquidate these liabilities.
- Restricted net position, the portion of the City's net position subject to constraints on its use, slightly declined \$0.7 million from \$75.8 million at June 30, 2017 to \$75.1 million at June 30, 2018.
- The unrestricted net position was a deficit of \$192.1 million. Excluding the \$327.4 million net pension and net OPEB liabilities which are not claims on current year financial assets, \$135.3 million of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.

The table below is a summary of the City's government-wide activities for the years ended June 30, 2018 and 2017, as measured on a full accrual basis of accounting.

Statement of Activities
for the years ended June 30, 2018 and 2017
(In millions)

	Governmental activities		Business-type activities		Total	
	2018	2017 (1)	2018	2017 (1)	2018	2017 (1)
Revenues						
Program revenues						
Charges for services	\$25.7	\$24.5	\$45.0	\$38.0	\$70.7	\$62.5
Operating grants and contributions	30.0	27.6		0.1	30.0	27.7
Capital grants and contributions	2.1	5.4	1.0	3.4	3.1	8.8
General revenues						
Property, sales and other taxes	73.9	71.5			73.9	71.5
User utility	13.1	13.3			13.1	13.3
Gain on sale of capital assets	0.1	0.1			0.1	0.1
Insurance recoveries						
Other	6.1	6.5	0.2		6.3	6.5
Total revenues	151.0	148.9	46.2	41.5	197.2	190.4
Expenses						
Governmental activities						
Administration	8.8	7.5			8.8	7.5
Development services	3.5	2.9			3.5	2.9
Community development	29.5	27.3			29.5	27.3
Fire services	32.0	27.4			32.0	27.4
Police services	50.3	42.3			50.3	42.3
Public works	30.3	29.0			30.3	29.0
Interest on long-term debt	0.4	0.4			0.4	0.4
Business-type activities						
Water			37.4	35.5	37.4	35.5
Local transportation						
Marina			1.7	2.1	1.7	2.1
Golf			3.4	3.3	3.4	3.3
Vallejo Station Parking			1.5	0.8	1.5	0.8
Fiber Optic			0.2		0.2	
Total expenses	154.8	136.8	44.2	41.7	199.0	178.5
Excess before transfers and special items	(3.8)	12.1	2.0	(0.2)	(1.8)	11.9
Transfers	(2.2)	(2.7)	2.2	2.7		
Special items		(0.4)	(2.8)		(2.8)	(0.4)
Change in net position	(6.0)	9.0	1.4	2.5	(4.6)	11.5
Net position - beginning, as restated (2)	205.1	206.1	43.4	45.4	248.5	251.5
Net position - ending	\$199.1	\$215.1	\$44.8	\$47.9	\$243.9	\$263.0

(1) Not restated for the implementation of GASB 75.

(2) July 1, 2017 balance is restated for the implementation of GASB 75.

The current year's city-wide revenues of \$197.2 million reflected an improving economic base.

- Charges for services grew by \$8.2 million (13%), mainly due to the increase in water rates that took effect on June 9, 2017 and development fees collected for several new major commercial and residential developments, such as KB new homes, Glen Cove Marina assisted living units, In-n-Out Burger, and Panera Bread.
- Operating grants and contributions increased by \$2.3 million primarily in U.S. Department of Housing and Urban Development (HUD) programs. However, revenues from capital grants and contributions declined by \$5.7 million, since some major projects such as the Post Office Construction and "Phase 3" of the Downtown Streetscape were completed last year.
- General revenues had an overall increase of \$2.0 million or 2%, to \$93.4 million. The increase in general revenues was due primarily to property tax. Property tax revenues improved by \$1.7 million (6.2%), as the City continued to see recovery in property valuations as a result of improving trend in both residential sales pricing and volume and new construction.
- Of the City's governmental activities revenues, \$93.2 million or 62% came from general unrestricted revenues. The remaining \$57.8 million or 38% came from charges for services and grants.

City-wide expenses were \$199 million, up \$20.5 million or 11% from the prior year level. This increase was generally attributable to the following factors:

- An increase of \$13.2 million in pension expense because of the decreased discount rate used to measure the total pension liability from 7.5% to 7.15%.
- An increase of \$2.7 million in workers compensation and general liability program costs caused by increased claim payments and actuarial liability adjustments.

Net Program Revenues (Expenses)

The following table presents the net program cost for each governmental activity by subtracting program-specific revenues from program expenses for the year ended June 30, 2018, as measured on a full accrual basis of accounting. The balance is the amount funded by general City revenues.

Governmental Activities	Expenses	Program Revenues	Net Revenue (Expense) of Activities
General government	(\$9,332,402)		(\$9,332,402)
Community and development serv	(33,075,606)	\$29,406,569	(\$3,669,037)
Fire services	(31,978,352)	3,146,153	(\$28,832,199)
Police services	(50,291,924)	6,455,263	(\$43,836,661)
Public works	(30,289,374)	18,848,409	(\$11,440,965)
	<u>(\$154,967,658)</u>	<u>\$57,856,394</u>	<u>(\$97,111,264)</u>

Program revenues associated with Governmental Activities totaled \$57.9 million, or 37% of program expenses. Expenses not covered by program revenues are funded from non-program sources like general tax revenues.

Net program expenses of police and fire were the largest municipal programs within both the General Fund and Citywide Governmental Activities. Police and fire services were significantly up from the prior year due to increase in pension expenses, Fire overtime, and implementation of the 5% salary increase in Police union contract.

General government programs provide benefit to both business-type and governmental activities and receive some funding through internal indirect cost allocations to supplement program revenue and general tax revenue.

The following table presents the same net program cost information for business-type activities for the year ended June 30, 2018, as measured on a full accrual basis of accounting. In these programs, annual surpluses or deficits are retained in the programs as an increase or decrease in the program's net position.

Business-type Activities	Expenses	Program Revenues	Net Revenue (Expense) of Activities
Water utility	(\$37,447,808)	\$40,840,001	\$3,392,193
Marina	(1,706,871)	1,506,553	(200,318)
Golf	(3,392,250)	2,520,320	(871,930)
Vallejo Station Parking	(1,453,324)	1,186,887	(266,437)
Fiber Optic	(182,133)	1,793	(180,340)
	<u>(\$44,182,386)</u>	<u>\$46,055,554</u>	<u>\$1,873,168</u>

In total, the fee and grant sources of cash for these business-type operations were generally intended to cover operating, debt service, and capital reinvestment requirements. This year, the Water Fund realized a \$3.4 million operating surplus, as a full year of the new water rates improved the charges for services category by 19%. The Marina, Golf, Vallejo Station Parking, and Fiber Optic continued to incur losses. Although each of these programs collected user fees to cover a portion of annual costs, their fees did not fully cover program cash flow requirements. The General Fund and State Land's Fund transferred a combined \$2.7 million to supplement the Marina, Golf, and Parking enterprise operations.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

In addition to a full accrual-basis government-wide statements described above, the City also maintains financial records at the fund level for budgetary control. Individual funds are generally established to track the resources and operating results for specific, restricted programs. The results for governmental funds below differ from the results reported above in the government-wide statements. Here, the focus is to provide information on near-term inflows, outflows, and balances of spendable resources, which can be useful in assessing the City of Vallejo's financing requirements. Specifically, unassigned fund balance can serve as an informative measure of a government's net resources available for discretionary use at the end of the fiscal year. As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$112.8 million. Approximately \$21.2 million, or 18.8%, of the combined ending fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder is either nonspendable, restricted, committed, or assigned – indicating that those funds have been designated to liquidate existing contracts and purchase orders from the prior fiscal period, pay debt service, fund future uses, or are otherwise limited to a specific purpose by Council resolution or by law.

The following are the major funds that either qualified under the reporting criteria or were considered to be important to financial statement users:

General Fund

Services - The City's General Fund provides police, fire, development, public works, and administrative services to the City's 119,252 residents, other funds, businesses and visitors. The General Fund is distinct from other funds because it is the only source of unrestricted funds that can be allocated, at the discretion of the City Council, for any municipal purpose. For financial reporting purposes, the scope of General Fund balances and activities includes the City's unrestricted Measure B and Contingency Reserve Funds.

During 2017-18, the General Fund expended \$82.4 million in labor costs to provide these services, funding 418 authorized full time equivalent positions. Labor costs comprised 71% of General Fund expenditures, not including inter-fund transfers or cost allocations.

Current Year Increase in General Fund Revenues – The net impact to the City's 2017-18 General Fund revenues, including transfers and special items, was an increase of \$2.9 million or 2.8% from the prior year. Of particular note were increases in property tax by \$1.7 million, and engineering fees by \$1.0 million.

Measure V – Approved by voters in 2016, the permanent extension of the City's Measure B sales tax generated \$14.8 million in 2017-18 revenues. During the year, the City spent a total of \$16.05 million in Measure B revenues and reserves, strategically restoring and augmenting City services while building up General Fund and Risk Fund reserves. Approximately \$9.8 million was used to fund positions that primarily supported needed public safety and economic development efforts. About \$5.0 million was invested in infrastructure projects, quality of life enhancements, community aesthetics improvements, and the City's noteworthy "Participatory Budgeting" program. The balance of \$1.25 million was used to build up reserves for the General Fund and Risk Management Fund.

Fiscal year 2017-2018 Budget - Fiscal Year 2017-2018 revenue collections exceeded the original and revised revenue estimates by \$4.7 million and \$1.8 million, respectively. The most significant revenue gains versus the revised estimates were in engineering fees at \$0.8 million and plan check fees at \$0.2 million due to new residential and commercial building projects and renovation of existing projects. On the expenditure side, all departments operated within their approved expenditure budgets for the year except Fire, which had an overrun of less than 1% due to Strike Team overtime costs that were offset by state reimbursements. Total expenditures were \$6.1 million below the final appropriations, or 6%, primarily driven by the staff vacancies in the Police and Public Works departments, \$1.7 million savings in professional services due to the delays in the start and completion of certain projects and recording of the \$2.0 million PARS trust contribution as a Restricted Investment rather than an employer cost.

Reserves – The City's five-year financial forecast allows for long-term planning that builds and maintains adequate funding for contingent risks and ensures expenditures will continue to be within available revenues, while benchmarking progress toward needed fund balance reserves. As of June 30, 2018, the General Fund reported a total of \$21.2 million in unassigned fund balance. This represents a 20% contingency reserve against the subsequent year's General Fund annual operating budget (including Measure B programs) – exceeding the City Council's 15% contingency reserve target.

Other Major Governmental Funds

- *Housing Authority Fund* – The Housing Authority Fund received \$22.1 million in federal HUD grant allocations during the year to support its \$22.3 million Section 8 Housing Assistance Voucher Program expenditures. Federal grant revenues increased by \$1.3 million compared to last year, due to an increase in HUD allocations.

- *Mare Island Conversion Fund* – In addition to the United States Navy grants, the Mare Island Conversion Fund received \$31.0 million from the Steadfast settlement agreement during the year. These funds are restricted for the costs of remediating the remaining environmental conditions to facilitate the base conversion from military to civilian use.
- *Capital Outlay Fund* – The Capital Outlay fund’s total fund balance went up by \$6.4 million to \$17.2 million, all committed for current and future capital projects. The fund received 8.8 million contribution from General Fund and incurred \$2.8 million in capital project spending.

Enterprise Funds

The City’s enterprise fund statements provide the same information found in the government-wide financial statements but in more detail.

As of June 30, 2018, total enterprise funds’ net position decreased to \$44.8 million, down \$3.1 million from \$47.9 million in the prior year. The significant changes by enterprise fund are discussed below:

- *Water* – The Water Fund collected \$39.8 million in operating revenues during the year to support \$27.5 million in cash-basis operating costs and \$5.2 million in debt service. Remaining operating revenues, along with investment income, capital grants, and capital contributions also supported \$5.8 million in capital improvements. At June 30, 2018, current assets of \$32.0 million were available to cover \$10.1 million in current liabilities. The City’s water system operates with \$91.4 million of capital assets, which have been financed by \$45.1 million of outstanding long-term debt. Total net position of the Water Fund at June 30, 2018 was \$45.7 million, down \$4.1 million from previous year level. The decrease was mainly caused by the write-off of the \$2.8 million American Canyon loan and implementation of the new OPEB accounting standards.

Effective June 9, 2017, the water rates were increased 18.2% across the board with an inflationary factor applied each July 1st thereafter in order to meet short-term operational and fiscal obligations. Along with a slight uptick in water consumption, this generated a 19.4% increase in service revenue over the prior year. However, due to the water system’s aging infrastructure and declining fund balance, a long-term capital replacement strategy is necessary. The City hired a consultant to produce a 5-year water utility financing plan and rate study, which will address those needs, as well as develop strategies for managing user classifications, fixed/variable costs, emerging technologies, and fund balance reserves.

- *Marina* – The Marina collected \$1.5 million in user fees during the year to support \$1.4 million in cash-basis operating costs. The General Fund and State Land’s Fund contributed an additional \$1.5 million for debt service payments of \$0.7 million, dredging and seawall repair of \$0.6 million, and balance to address the fund’s net position. Net position of the Marina Fund at June 30, 2018 was 0.2 million. The fund remained obligated for \$13.3 million in long-term debt, secured by the General Fund. The 3% annual CPI increases for berth rents and live aboard fees are projected to steadily address the net position and reduce the General Fund subsidy over the next several years. Public Works Department is also undertaking a sustainability plan to address the fund’s fiscal stability.
- *Golf* – The Golf Fund collected \$2.5 million in user fees for the year, which is \$0.1 million short of program cash flow requirements. As anticipated in the budget, the General Fund contributed \$0.8 million, which along with user fees, sustained operating costs of \$2.7 million, and debt service payments of \$0.4 million. Overall, the Golf Fund had a deficit net position of \$1.2 million at June 30, 2018, because its capital assets were depreciating faster than the principal payments on the debt that financed the assets. The fund remained obligated for \$6.9 million in long-term debt, secured by the General Fund. The City took a step toward self-sufficiency of the Golf Fund by changing the operator in January 2018, and pursuing a deal for the revitalization and redevelopment of the Blue Rock Springs Golf Course.

- **Vallejo Station Parking** – The Vallejo Station Parking fund was established in 2013 to account for the operation, maintenance, and management of the Vallejo Station Parking Structure. The \$1.4 million in cash-basis operating costs were partially funded by annual user fees of \$1.1 million, with the General Fund contributing \$0.4 million to cover the shortage and accumulate funds for future maintenance projects. The City hired a contractor to provide improved enforcement efforts and increased the parking rates to allow this fund to move toward full cost recovery.
- **Fiber Optic** – In an effort to leverage City assets and promote economic development, the Fiber Optic Fund was established in May 2017, with a \$0.8 million interfund loan from the General Fund to be used as starting working capital. Although the initial project to construct and connect a physical network was completed a year ago, infrastructure and marketing challenges have stalled the expected growth of service revenue. Accordingly, the City is seeking ways to modify the agreement with its partner and contractor in this joint venture, Inyo Networks, Inc., with the possibility of widening the potential customer base by extending the fiber network across the bridge to Mare Island and its startup businesses.

CAPITAL ASSETS

The capital assets of the City are those assets that are used in the performance of the City's functions, including infrastructure assets. This investment in capital assets includes land and easements, infrastructure, buildings and improvements, equipment, and construction in progress. Infrastructure assets are capital assets that are usually stationary in nature and – under normal conditions – have a significantly longer lifespan than most other capital assets. These assets are classified by the City in major categories, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

The City's streets are steadily deteriorating as a result of the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) trenching operations of the utility company and private development interests; and (4) water damage from natural precipitation and other urban runoff. Although the City is continuously taking corrective action through short-term maintenance activities (such as pothole patching, street sweeping, and sidewalk repair), the City's annual expenditures on streets are currently millions less than the amount which would be needed to restore them to an acceptable and sustainable pavement condition standard.

The following is a summary of the City's capital assets at June 30, 2018 and 2017.

Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$140,507,865	\$138,980,089	\$12,298,805	\$12,298,805	\$152,806,670	\$151,278,894
Building and improvement	75,956,044	76,340,870	31,706,243	33,670,617	107,662,287	110,011,487
Machinery and equipment	10,747,061	10,410,153	7,580,869	7,169,119	18,327,930	17,579,272
Infrastructure	99,679,953	102,665,214	48,858,854	50,571,188	148,538,807	153,236,402
Construction in progress	5,923,852	7,278,509	8,358,366	5,157,016	14,282,218	12,435,525
Total	\$332,814,775	\$335,674,835	\$108,803,137	\$108,866,745	\$441,617,912	\$444,541,580

Total capital additions of \$13.3 million were primarily road improvements, water pump upgrades, and acquisition of new vehicles and land parcels. Also, the City placed in service \$6.6 million of completed capital projects during the fiscal year, including the Winchester Street and Fairgrounds Drive projects, the Cimarron Hills sound wall, and water system pump station upgrades. Reductions included \$16.3 million of depreciation and retirement/adjustments. Overall, capital assets (net of depreciation) decreased by \$3.0 million during the year to \$441.6 million at June 30, 2018. Additional information about the City's capital assets can be found in Note 5 of the Basic Financial Statements.

DEBT ADMINISTRATION

Objectives - The City administers debt programs for its General Fund and for the following restricted revenue programs: Water, Successor Agency to the Former Redevelopment Agency, and Improvement Districts. The City has established the following equally important objectives in administering its long-term debt financing programs.

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing
- Achieve the highest practical credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with applicable State and Federal laws

Obligations - The following is a summary of the City's long-term debt obligations at June 30, 2018 and 2017.

Outstanding Debt Long-Term Debt

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Certificates of Participation	\$3,037,671	\$3,233,951			\$3,037,671	\$3,233,951
Capital Lease Obligations	304,392	405,856			304,392	405,856
Revenue Bonds			\$44,153,668	\$46,737,658	44,153,668	46,737,658
Loans & Notes Payable	12,898,459	13,445,922	21,179,459	22,229,772	34,077,918	35,675,694
Total	<u>\$16,240,522</u>	<u>\$17,085,729</u>	<u>\$65,333,127</u>	<u>\$68,967,430</u>	<u>\$81,573,649</u>	<u>\$86,053,159</u>

General Fund Debt Restructure - In September 2011, the City and Union Bank of California entered into an Amended and Restated Master Lease Agreement and a Reimbursement Agreement Payment Agreement which changed a series of Certificates of Participation debt into a direct bank loan debt. Of the total outstanding Union Bank loan balance of \$33.1 million at June 2018, \$20.2 million of this debt is carried in the Business Type Activities Programs (Marina and Golf). The debt service for those programs is paid from program user fees. However, the General Fund remains obligated for the debt if those sources are insufficient to pay the debt service. During FY 2017-18, the General Fund contributed \$1.1 million to the Marina and Golf Enterprise funds to support debt requirements for these Enterprise programs.

Annual Activity - In total, the City made long-term principal debt payments of \$4.8 million during the year ended June 30, 2018. This principal reduction has been partially offset by \$0.4 million deferred interest accruals on the City's Union Bank debt. Overall, the City's total long-term debt obligations decreased from \$86.1 million at June 30, 2017 to \$81.6 million at June 30, 2018. Additional information about the City's long-term debt can be found in Note 6 of the Basic Financial Statements.

Bond Insurer Rating Downgrade - During the year, Standard and Poor's affirmed its rating on the bond insurer National Public Finance Guarantee Corporation (NPFGC) at "A" but withdrew its rating on NPFGC as it relates to issuers.

Net Debt - The percentage of net bonded debt to taxable property valuation, and the amount of bonded debt per capita, are useful indicators of the City's net debt position to management, citizens, and investors. A comparison of these indicators follows. Per capita debt outstanding decreased to \$684, at June 30, 2018, from \$728 in the prior fiscal year.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Net debt	\$81,573,649	\$86,053,159
Net debt per capita	\$684	\$728
Net debt per capita as a percentage of per capita personal income	2.55%	2.51%
Net debt as a percentage of net assessed value	0.80%	0.94%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continues to regain property values lost during the Great Recession, as the public continues to search for affordable housing beyond the metropolitan center. The recovering real estate market and new construction continue to fuel the decrease in the number of properties on Proposition 8 (temporary reduced assessment value) status. This rebound in property values translates into an estimated 6% growth in property tax revenues for the City in 2018-19.

However, the City recognizes that the pace of growth is expected to slow down as the economic cycle matures. The sales tax which is the City's largest revenue source is highly concentrated. This poses a significant challenge for the City if any of the top 25 sales tax payers experience economic difficulties. Also, revenues related to development activities can fluctuate from year to year depending on the timing of large construction projects and when developers pull their permits and complete the projects. The City, like all municipalities, also faces exposure to investment conditions, as the recent change to the CalPERS assumed rate of return has substantially escalated the amount the City must pay to pre-fund future pension benefits. Replacement of aging capital assets, most notably the Police Department building at 111 Amador Street, could require a major drawdown of City reserves or a potential bond measure. Balancing priorities will be a critical piece of the budget going forward to ensure continued fiscal sustainability in the face of these and other challenges.

In summary, while the City continues to expect revenue growth to be partially absorbed by escalating pension, benefits, and other service costs, overall the City anticipates to operate a structurally balanced budget for fiscal year 2018-19.

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report (CAFR) is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. For the convenience of the public, a copy of this report is posted on the City's website (http://www.ci.vallejo.ca.us/city_hall/departments__divisions/finance). If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Office of the Finance Director at 555 Santa Clara Street, Vallejo, California, 94590, phone 707-648-4592.



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CITY OF VALLEJO, CALIFORNIA

GOVERNMENT WIDE FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**

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 focuses the reader on the composition of the City's net position by subtracting total liabilities and deferred inflows of resources from total assets and deferred outflows of resources.

The Statement of Net Position summarizes the financial position of the City's Governmental Activities in a single column, and the financial position of all 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 primary government. This column is followed by a column that displays the discretely presented component unit.

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 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 inflows/outflows of resources, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by the 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, Business-type Activities or discretely presented component unit column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both of these Statements include the financial activities of the City and the blended component units: the Housing Authority of the City of Vallejo (Housing Authority), the Marine World Joint Powers Authority (Marine World JPA), the Parking Authority of the City of Vallejo (Parking Authority), the Public Financing Authority of the City of Vallejo (Financing Authority) and the Empress Investment Fund, LLC (EIF). The Housing Authority, Marine World JPA, Parking Authority, Financing Authority and EIF are legally separate component units of the City, because they are controlled by the City and the City is financially accountable for their activities. The financial activities of these entities are integrally related to those of the City, and so data has been blended with those of the City in both of these statements. The balances and the activities of the discretely presented component unit of Vallejo Flood and Wastewater District are included in these statements as separate columns.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.



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CITY OF VALLEJO
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Vallejo Flood and Wastewater District
ASSETS				
Current Assets:				
Cash and investments (Note 2)	\$118,859,123	\$27,348,399	\$146,207,522	\$47,809,558
Accounts receivable	3,680,540	8,084,841	11,765,381	3,424,179
Interest receivable	598,682		598,682	
Due from other governments	8,284,178	24,210	8,308,388	
Materials, parts, and supplies (Note 1J)	188,016	934,592	1,122,608	1,092,255
Prepays and deposits (Note 1L)	8,126	204,095	212,221	1,409,168
Total Current Assets	<u>131,618,665</u>	<u>36,596,137</u>	<u>168,214,802</u>	<u>53,735,160</u>
Noncurrent Assets:				
Restricted cash and investments held with fiscal agent (Note 2)	34,459,599	5,274,585	39,734,184	
Land held for development (Note 1K)	499,684		499,684	
Notes and loans receivable (Note 4)	29,174,120	18,535	29,192,655	294,949
Internal balances (Note 3D)	830,000	(830,000)		
Capital assets (Note 5):				
Nondepreciable	146,431,717	20,657,171	167,088,888	14,308,104
Depreciable, net of accumulated depreciation	186,383,058	88,145,966	274,529,024	169,726,070
Total Noncurrent Assets	<u>397,778,178</u>	<u>113,266,257</u>	<u>511,044,435</u>	<u>184,329,123</u>
Total Assets	<u>529,396,843</u>	<u>149,862,394</u>	<u>679,259,237</u>	<u>238,064,283</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt (Note 6)		781,612	781,612	1,069,668
Related to pensions (Note 10)	51,238,470	5,961,599	57,200,069	10,141,993
Related to OPEB (Note 11)	3,544,912	795,088	4,340,000	398,252
Total Deferred Outflows of Resources	<u>54,783,382</u>	<u>7,538,299</u>	<u>62,321,681</u>	<u>11,609,913</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	7,898,126	2,360,894	10,259,020	1,976,812
Accrued interest payable	127,673	442,859	570,532	410,890
Due to other governments	10,145		10,145	
Unearned revenues	32,495,805	449,300	32,945,105	
Deposits payable	2,096,951	3,694,252	5,791,203	128,710
Employee benefits payable (Note 9)	7,089,955	1,114,855	8,204,810	491,117
Claims payable, due within one year (Note 13)	3,828,996		3,828,996	
Long-term debt, due within one year (Note 6)	975,834	3,858,965	4,834,799	4,750,609
Total Current Liabilities	<u>54,523,485</u>	<u>11,921,125</u>	<u>66,444,610</u>	<u>7,758,138</u>
Noncurrent Liabilities:				
Claims payable (Note 13)	13,432,004		13,432,004	
Employee benefits payable (Note 9)	4,285,827	129,160	4,414,987	912,075
Net pension liability (Note 10)	266,817,046	33,668,568	300,485,614	22,725,984
Net OPEB liability (Note 11)	21,988,256	4,931,744	26,920,000	8,943,939
Long-term debt (Note 6)	15,264,688	61,474,162	76,738,850	38,402,249
Total Noncurrent Liabilities	<u>321,787,821</u>	<u>100,203,634</u>	<u>421,991,455</u>	<u>70,984,247</u>
Total Liabilities	<u>376,311,306</u>	<u>112,124,759</u>	<u>488,436,065</u>	<u>78,742,385</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions (Note 10)	8,369,805	420,368	8,790,173	2,209,500
Related to OPEB (Note 11)	351,224	78,776	430,000	5,192
Total Deferred Inflows of Resources	<u>8,721,029</u>	<u>499,144</u>	<u>9,220,173</u>	<u>2,214,692</u>
NET POSITION (Note 12)				
Net investment in capital assets	316,622,007	44,251,622	360,873,629	141,950,984
Restricted for:				
Debt service	250,565	5,274,585	5,525,150	7,466,046
Capital projects	22,319,623		22,319,623	24,670,913
Housing programs	24,021,925		24,021,925	
Mare Island programs	7,598,360		7,598,360	
Landscape maintenance district services	14,141,904		14,141,904	
Other special projects and programs	1,594,990		1,594,990	
Total Restricted Net Position	<u>69,927,367</u>	<u>5,274,585</u>	<u>75,201,952</u>	<u>32,136,959</u>
Unrestricted	(187,401,484)	(4,749,417)	(192,150,901)	(5,370,824)
Total Net Position	<u>\$199,147,890</u>	<u>\$44,776,790</u>	<u>\$243,924,680</u>	<u>\$168,717,119</u>

See accompanying notes to financial statements

CITY OF VALLEJO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Legislative and advisory	\$342,413			
Executive	3,217,242			
Finance	2,296,973			
Human resources	1,382,503			
Law	1,678,985			
Development services	3,572,495	\$3,126,704		
Community development	29,503,111	1,398,637	\$24,881,228	
Fire services	31,978,352	3,146,153		
Police services	50,291,924	4,110,806	2,344,457	
Public works	30,289,374	13,929,485	2,780,373	\$2,138,551
Interest on long term debt	414,286			
Total Governmental Activities	154,967,658	25,711,785	30,006,058	2,138,551
Business-type Activities:				
Water	37,447,808	39,821,952		1,018,049
Marina	1,706,871	1,506,553		
Golf	3,392,250	2,520,320		
Vallejo Station Parking	1,453,324	1,186,887		
Fiber Optic	182,133	1,793		
Total Business-type Activities	44,182,386	45,037,505		1,018,049
Total Primary Government	\$199,150,044	\$70,749,290	\$30,006,058	\$3,156,600
Component Unit:				
Vallejo Flood and Wastewater District	\$34,941,399	\$32,504,387		\$395,637
General revenues:				
Taxes:				
Property taxes/In-lieu property tax				
Sales and transaction taxes				
User Utility				
Franchise				
Transit occupancy				
Other				
Investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Transfers (Note 3A)				
Special item:				
Cancellation of loan receivable (Note 4G)				
Total general revenues, transfers and special item				
Change in Net Position				
Net Position-Beginning, as restated (Note 12E)				
Net Position-Ending				

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position Primary Government			Net (Expense) Revenue and Changes in Net Position Component Unit
Governmental Activities	Business-type Activities	Total	Vallejo Flood and Wastewater District
(\$342,413)		(\$342,413)	
(3,217,242)		(3,217,242)	
(2,296,973)		(2,296,973)	
(1,382,503)		(1,382,503)	
(1,678,985)		(1,678,985)	
(445,791)		(445,791)	
(3,223,246)		(3,223,246)	
(28,832,199)		(28,832,199)	
(43,836,661)		(43,836,661)	
(11,440,965)		(11,440,965)	
(414,286)		(414,286)	
<u>(97,111,264)</u>		<u>(97,111,264)</u>	
	\$3,392,193	3,392,193	
	(200,318)	(200,318)	
	(871,930)	(871,930)	
	(266,437)	(266,437)	
	(180,340)	(180,340)	
	<u>1,873,168</u>	<u>1,873,168</u>	
<u>(97,111,264)</u>	<u>1,873,168</u>	<u>(95,238,096)</u>	
			<u>(\$2,041,375)</u>
29,064,853		29,064,853	1,114,502
29,626,711		29,626,711	
13,107,158		13,107,158	
5,391,799		5,391,799	
2,621,192		2,621,192	
7,242,452		7,242,452	
902,408	203,147	1,105,555	285,376
134,785		134,785	
5,241,492		5,241,492	
(2,152,823)	2,152,823		
	<u>(2,832,157)</u>	<u>(2,832,157)</u>	
<u>91,180,027</u>	<u>(476,187)</u>	<u>90,703,840</u>	<u>1,399,878</u>
(5,931,237)	1,396,981	(4,534,256)	(641,497)
<u>205,079,127</u>	<u>43,379,809</u>	<u>248,458,936</u>	<u>169,358,616</u>
<u>\$199,147,890</u>	<u>\$44,776,790</u>	<u>\$243,924,680</u>	<u>\$168,717,119</u>



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FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Governmental Funds by the City for the year ended June 30, 2018. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND is used to account for all general revenues of the City not specifically levied or collected for other City funds including Measure B transaction tax and the related expenditures, and pre-1990 Successor Agency loans and the related revenues.

HOUSING AUTHORITY SPECIAL REVENUE FUND is used to account for monies received and expended in the HUD Section 8 Housing Assistance Program for low and moderate income families and the assets and liabilities assumed from the Housing Fund of the former Redevelopment Agency upon its dissolution as of February 1, 2012.

MARE ISLAND CONVERSION CAPITAL PROJECTS FUND is used to account for monies received from federal grants which are used for activities relating to the conversion of the Mare Island Naval Shipyard to civilian use.

CAPITAL OUTLAY CAPITAL PROJECTS FUND accounts for the expenditure of General Fund and grant funded capital projects, including acquisitions and improvements of public property, public works projects, facilities, equipment and systems.

CITY OF VALLEJO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General	Housing Authority	Mare Island Conversion
ASSETS			
Cash and investments (Note 2)	\$21,200,590	\$5,057,236	\$965,635
Restricted cash and investments held with fiscal agent (Note 2)	1,968,128		32,240,906
Accounts receivable	3,031,643	106,071	
Interest receivable	595,055	3,627	
Notes and loans receivable (Note 4)	1,061,610	13,298,359	
Advances to other funds (Note 3C)	830,000		
Due from other governments	6,466,238		
Materials, parts, and supplies	2,778		
Prepays and deposits	8,126		
Land held for redevelopment (Note 1K)	499,684		
Total Assets	\$35,663,852	\$18,465,293	\$33,206,541
LIABILITIES			
Accounts payable and accrued liabilities	\$3,619,026	\$50,942	\$773,237
Due to other funds (Note 3B)			
Due to other governments	2,614		
Unearned revenues	1,208,551		29,672,176
Deposits payable	438,736	108,113	
Total Liabilities	5,268,927	159,055	30,445,413
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - accounts receivable	273,075		
Unavailable revenue - interest receivable	260,568	2,865,652	
Unavailable revenue - notes and loans receivable			
Total Deferred Inflows of Resources	533,643	2,865,652	
FUND BALANCES (Note 12)			
Fund Balance			
Nonspendable	2,141,630		
Restricted	2,269,039	15,440,586	2,761,128
Committed	6,810		
Assigned	4,208,034		
Unassigned	21,235,769		
Total Fund Balances	29,861,282	15,440,586	2,761,128
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$35,663,852	\$18,465,293	\$33,206,541

See accompanying notes to financial statements

Capital Outlay	Other Governmental Funds	Total Governmental Funds
\$17,286,054	\$46,447,509	\$90,957,024
	250,565	34,459,599
	514,146	3,651,860
		598,682
	14,814,151	29,174,120
		830,000
72,369	1,745,571	8,284,178
	3,000	5,778
		8,126
		499,684
<u>\$17,358,423</u>	<u>\$63,774,942</u>	<u>\$168,469,051</u>
\$208,255	\$1,540,231	\$6,191,691
	918,022	918,022
	7,531	10,145
	1,615,078	32,495,805
	1,550,102	2,096,951
<u>208,255</u>	<u>5,630,964</u>	<u>41,712,614</u>
	23,750	296,825
	1,960,662	5,086,882
	8,570,402	8,570,402
	<u>10,554,814</u>	<u>13,954,109</u>
	67,625	2,209,255
3,016,758	39,899,764	63,387,275
14,133,410	2,643,924	16,784,144
	4,987,289	9,195,323
	(9,438)	21,226,331
<u>17,150,168</u>	<u>47,589,164</u>	<u>112,802,328</u>
<u>\$17,358,423</u>	<u>\$63,774,942</u>	<u>\$168,469,051</u>

CITY OF VALLEJO
 Reconciliation of
 GOVERNMENTAL FUND BALANCES
 with
 GOVERNMENTAL NET POSITION
 JUNE 30, 2018

Total fund balances reported on the governmental funds balance sheet \$112,802,328

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 326,102,478

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	\$27,902,099	
Accounts receivable	28,680	
Materials, parts, and supplies	182,238	
Due from other funds	918,022	
Capital assets	6,712,297	
Accounts payable	(1,706,435)	
Claims payable	(17,261,000)	
Net pension liability and pension-related deferred outflows/inflows of resources	(2,568,396)	
Net OPEB liability and OPEB-related deferred outflows/inflows of resources	(18,794,568)	
Employee benefits payable	<u>(278,582)</u>	(4,865,645)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 13,954,109

LONG-TERM LIABILITIES

The liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt		(16,240,522)
Net pension liability and pension-related deferred outflows/inflows of resources		(221,379,985)
Interest payable		(127,673)
Compensated absences		<u>(11,097,200)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$199,147,890

See accompanying notes to financial statements



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CITY OF VALLEJO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Housing Authority</u>	<u>Mare Island Conversion</u>
REVENUES			
Taxes, including Measure B	\$75,440,179		
Licenses, permits, and fees	3,427,062		
Fines and forfeitures	1,651,977		
Intergovernmental	12,939,854	\$22,126,333	\$1,744,631
Use of money and property	1,440,502	156,925	138,420
Charges for services	10,636,250		
Other	237,719	43,105	
Total Revenues	<u>105,773,543</u>	<u>22,326,363</u>	<u>1,883,051</u>
EXPENDITURES			
Current:			
Legislative and advisory	296,548		
Executive	2,689,380		
Finance	1,806,258		
Human resources	1,200,631		
Law	1,232,890		
Development services	2,612,842		
Community development	2,388,432	22,293,369	2,230,954
Fire services	25,641,453		
Police services	41,392,454		
Public works	6,918,422		
Non departmental	6,170,178		
Capital outlay			
Debt Service:			
Principal	101,464		
Interest and fiscal agent fees			
Total Expenditures	<u>92,450,952</u>	<u>22,293,369</u>	<u>2,230,954</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>13,322,591</u>	<u>32,994</u>	<u>(347,903)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 3A)	192,869	58,125	
Transfers out (Note 3A)	(14,035,842)		
Total Other Financing Sources (Uses)	<u>(13,842,973)</u>	<u>58,125</u>	
NET CHANGE IN FUND BALANCES	(520,382)	91,119	(347,903)
BEGINNING FUND BALANCES	<u>30,381,664</u>	<u>15,349,467</u>	<u>3,109,031</u>
ENDING FUND BALANCES	<u>\$29,861,282</u>	<u>\$15,440,586</u>	<u>\$2,761,128</u>

See accompanying notes to financial statements

Capital Outlay	Other Governmental Funds	Total Governmental Funds
	\$2,189,095	\$77,629,274
\$300,830	257,150	3,985,042
	54,777	1,706,754
	5,649,265	42,460,083
39,412	1,315,259	3,090,518
	10,634,065	21,270,315
180,295	400,594	861,713
<u>520,537</u>	<u>20,500,205</u>	<u>151,003,699</u>
		296,548
		2,689,380
		1,806,258
		1,200,631
	39,880	1,272,770
	578,419	3,191,261
	1,706,265	28,619,020
3,085	1,912,617	27,557,155
	1,246,601	42,639,055
46,867	9,693,495	16,658,784
		6,170,178
2,804,602	3,126,011	5,930,613
	887,507	988,971
	282,531	282,531
<u>2,854,554</u>	<u>19,473,326</u>	<u>139,303,155</u>
<u>(2,334,017)</u>	<u>1,026,879</u>	<u>11,700,544</u>
8,814,150	3,241,731	12,306,875
	(1,173,856)	(15,209,698)
<u>8,814,150</u>	<u>2,067,875</u>	<u>(2,902,823)</u>
6,480,133	3,094,754	8,797,721
10,670,035	44,494,410	104,004,607
<u>\$17,150,168</u>	<u>\$47,589,164</u>	<u>\$112,802,328</u>

CITY OF VALLEJO
 Reconciliation of the
 NET CHANGE IN GOVERNMENTAL FUND BALANCES
 with the
 CHANGE IN GOVERNMENT NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$8,797,721

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay and other capital expenditures are therefore added back to fund balance 5,275,407

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation of \$1,375,334 which has already been allocated to serviced funds) (8,815,726)

Assets transferred to Successor Agency are deducted from fund balance (8,738)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance 988,971

Interest accrued to principal is deducted from fund balance (143,764)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Interest payable 12,009

Unavailable revenue (458,315)

Compensated absences (96,771)

Net pension liability and pension-related deferred outflows/inflows of resources (13,007,806)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds 1,525,775

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$5,931,237)

See accompanying notes to financial statements

CITY OF VALLEJO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$73,584,035	\$75,170,211	\$75,440,179	\$269,968
Licenses, permits and fees	2,787,944	3,079,644	3,427,062	347,418
Fines and forfeitures	1,704,530	1,375,000	1,651,977	276,977
Intergovernmental	12,841,388	13,248,940	12,939,854	(309,086)
Use of money and property	1,529,756	1,529,756	1,440,502	(89,254)
Charges for services	8,393,006	9,218,006	10,636,250	1,418,244
Other	231,500	331,500	237,719	(93,781)
Total Revenues	101,072,159	103,953,057	105,773,543	1,820,486
EXPENDITURES:				
Current:				
Legislative and advisory	383,250	396,138	296,548	99,590
Executive	2,808,239	3,436,460	2,689,380	747,080
Finance	1,957,739	1,985,340	1,806,258	179,082
Human resources	1,188,268	1,613,941	1,200,631	413,310
Law	1,634,828	1,700,192	1,232,890	467,302
Development services	2,589,537	2,829,964	2,612,842	217,122
Community development	2,341,681	2,485,721	2,388,432	97,289
Fire services	24,935,408	25,414,310	25,641,453	(227,143)
Police services	43,119,213	43,341,424	41,392,454	1,948,970
Public works	6,869,323	8,057,831	6,918,422	1,139,409
Non departmental	4,867,036	6,893,287	6,170,178	723,109
Debt service				
Principal	401,464	401,464	101,464	300,000
Total Expenditures	93,095,986	98,556,072	92,450,952	6,105,120
EXCESS REVENUES OVER EXPENDITURES	7,976,173	5,396,985	13,322,591	7,925,606
OTHER FINANCING SOURCES (USES)				
Transfers in	20,126	20,126	192,869	172,743
Transfers (out)	(7,293,709)	(13,911,305)	(14,035,842)	(124,537)
Total other financing sources (uses)	(7,273,583)	(13,891,179)	(13,842,973)	48,206
NET CHANGE IN FUND BALANCES	\$702,590	(\$8,494,194)	(520,382)	\$7,973,812
Fund balance, July 1			30,381,664	
Fund balance, June 30			\$29,861,282	

See accompanying notes to financial statements

CITY OF VALLEJO
HOUSING AUTHORITY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, AND EXPENDITURES
AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$23,411,000	\$23,411,000	\$22,126,333	(\$1,284,667)
Use of money and property	143,863	143,863	156,925	13,062
Other	42,000	42,000	43,105	1,105
Total Revenues	<u>23,596,863</u>	<u>23,596,863</u>	<u>22,326,363</u>	<u>(1,270,500)</u>
EXPENDITURES:				
Current:				
Community development	24,463,678	24,463,727	22,293,369	2,170,358
Total Expenditures	<u>24,463,678</u>	<u>24,463,727</u>	<u>22,293,369</u>	<u>2,170,358</u>
EXCESS REVENUES OVER EXPENDITURES	<u>(866,815)</u>	<u>(866,864)</u>	<u>32,994</u>	<u>899,858</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			58,125	58,125
Total other financing sources (uses)			<u>58,125</u>	<u>58,125</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$866,815)</u></u>	<u><u>(\$866,864)</u></u>	91,119	<u><u>\$957,983</u></u>
Fund balance, July 1			<u>15,349,467</u>	
Fund balance, June 30			<u><u>\$15,440,586</u></u>	

See accompanying notes to financial statements

CITY OF VALLEJO, CALIFORNIA

MAJOR PROPRIETARY FUNDS

The City reported all enterprise funds as major funds in fiscal year 2018.

WATER FUND is used to account for the production and distribution of water to residents and businesses located within the City. Water service is also provided to Lakes District and Travis Air Force Base customers outside the City limits.

MARINA FUND is used to account for the operations, improvement and management of the City marina operations.

GOLF FUND is used to account for the capital assets of the City's municipal golf course and the course operator's pass-through revenues that service the City debt used to acquire and improve the assets of the fund.

VALLEJO STATION PARKING FUND is used to account for the operations, maintenance and management of the Vallejo Station Parking Structure.

FIBER OPTIC FUND is used to account for the operations, maintenance, and distribution of bandwidth and retail internet services through the City's fiber optic network.

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

Business-type Activities-Enterprise Funds

	Water	Marina	Golf
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$23,018,516	\$2,066,274	\$1,052,060
Accounts receivable	7,928,263	77,852	1,902
Due from other governments		24,210	
Materials, parts and supplies	872,505	18,708	43,379
Prepays	132,576		71,519
Due from other funds (Note 3B)			
Total current assets	<u>31,951,860</u>	<u>2,187,044</u>	<u>1,168,860</u>
Noncurrent assets:			
Restricted cash and investments held with fiscal agent (Note 2)	5,274,585		
Notes receivable (Note 4)	18,535		
Capital assets (Note 5):			
Nondepreciable	8,393,333	10,736,670	1,491,400
Depreciable, net	<u>82,969,850</u>	<u>1,440,808</u>	<u>3,578,904</u>
Total noncurrent assets	<u>96,656,303</u>	<u>12,177,478</u>	<u>5,070,304</u>
Total assets	<u>128,608,163</u>	<u>14,364,522</u>	<u>6,239,164</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of debt (Note 6)	781,612		
Related to pensions (Note 10)	5,736,512	145,472	
Related to OPEB	<u>776,860</u>	<u>9,114</u>	
Total deferred outflows of resources	<u>7,294,984</u>	<u>154,586</u>	
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,832,182	58,136	339,579
Accrued interest payable	363,783	53,191	25,885
Unearned revenue	284,530	34,721	130,049
Deposits payable	3,562,541	131,711	
Claims payable, current (Note 13)			
Employee benefits payable, current (Note 9)	1,098,163	6,754	
Long-term debt, due within one year (Note 6)	<u>2,962,451</u>	<u>593,618</u>	<u>302,896</u>
Total current liabilities	<u>10,103,650</u>	<u>878,131</u>	<u>798,409</u>
Long-term liabilities:			
Long-term debt, due in more than one year (Note 6)	42,174,526	12,666,224	6,633,412
Advance from other funds (Note 3C)			
Claims payable, noncurrent (Note 13)			
Employee benefits payable, noncurrent (Notes 9)	127,686		
Net pension liability (Note 10)	32,541,538	742,568	
Net OPEB liability (Note 11)	<u>4,818,680</u>	<u>56,532</u>	
Total noncurrent liabilities	<u>79,662,430</u>	<u>13,465,324</u>	<u>6,633,412</u>
Total Liabilities	<u>89,766,080</u>	<u>14,343,455</u>	<u>7,431,821</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 10)	405,199	8,746	
Related to OPEB (Note 11)	<u>76,970</u>	<u>903</u>	
Total deferred inflows of resources	<u>482,169</u>	<u>9,649</u>	
NET POSITION (DEFICIT) (Note 12)			
Net investment in capital assets	47,007,818	(1,082,364)	(1,866,004)
Restricted for debt service	5,274,585		
Unrestricted	<u>(6,627,505)</u>	<u>1,248,368</u>	<u>673,347</u>
Total Net Position (Deficit)	<u>\$45,654,898</u>	<u>\$166,004</u>	<u>(\$1,192,657)</u>

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
Vallejo Station Parking	Fiber Optic	Totals	
\$690,783	\$520,766	\$27,348,399	\$27,902,099
75,031	1,793	8,084,841	28,680
		24,210	
		934,592	182,238
		204,095	
			918,022
<u>765,814</u>	<u>522,559</u>	<u>36,596,137</u>	<u>29,031,039</u>
		5,274,585	
		18,535	
	35,768	20,657,171	
<u>15,190</u>	<u>141,214</u>	<u>88,145,966</u>	<u>6,712,297</u>
<u>15,190</u>	<u>176,982</u>	<u>114,096,257</u>	<u>6,712,297</u>
<u>781,004</u>	<u>699,541</u>	<u>150,692,394</u>	<u>35,743,336</u>
		781,612	
79,615		5,961,599	436,304
9,114		795,088	3,544,912
<u>88,729</u>		<u>7,538,299</u>	<u>3,981,216</u>
77,624	53,373	2,360,894	1,706,435
		442,859	
		449,300	
		3,694,252	
			3,828,996
2,132	7,806	1,114,855	80,868
		3,858,965	
<u>79,756</u>	<u>61,179</u>	<u>11,921,125</u>	<u>5,616,299</u>
		61,474,162	
	830,000	830,000	
			13,432,004
	1,474	129,160	197,714
384,462		33,668,568	2,980,784
56,532		4,931,744	21,988,256
<u>440,994</u>	<u>831,474</u>	<u>101,033,634</u>	<u>38,598,758</u>
<u>520,750</u>	<u>892,653</u>	<u>112,954,759</u>	<u>44,215,057</u>
6,423		420,368	23,916
903		78,776	351,224
<u>7,326</u>		<u>499,144</u>	<u>375,140</u>
15,190	176,982	44,251,622	6,712,297
		5,274,585	
<u>326,467</u>	<u>(370,094)</u>	<u>(4,749,417)</u>	<u>(11,577,942)</u>
<u>\$341,657</u>	<u>(\$193,112)</u>	<u>\$44,776,790</u>	<u>(\$4,865,645)</u>

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

	Business-type Activities-Enterprise Funds		
	Water	Marina	Golf
OPERATING REVENUES			
Charges for services	\$39,696,950	\$1,481,743	\$2,498,824
Other	125,002	24,810	21,496
Total operating revenues	39,821,952	1,506,553	2,520,320
OPERATING EXPENSES			
Operations expenses	20,684,395	1,383,507	1,413,753
General and administrative	9,175,629	8,922	1,326,527
Insurance and claims			
Depreciation	5,309,348	54,986	518,406
Total operating expenses	35,169,372	1,447,415	3,258,686
Operating income (loss)	4,652,580	59,138	(738,366)
NONOPERATING REVENUES (EXPENSES)			
Investment income	187,395	6,747	2,647
Intergovernmental revenue			
Gain on sale of capital assets			
Interest expense and fiscal charges	(2,278,436)	(259,456)	(133,564)
Total nonoperating revenues (expenses)	(2,091,041)	(252,709)	(130,917)
Income (loss) before contributions and transfers	2,561,539	(193,571)	(869,283)
Capital grants and contributions	1,018,049		
Transfers in (Note 3A)		1,541,257	755,566
Transfers out (Note 3A)	(500,000)		
Change in net position before special item	3,079,588	1,347,686	(113,717)
Special Item:			
Cancellation of loan receivable (Note 4G)	(2,832,157)		
Change in net position	247,431	1,347,686	(113,717)
BEGINNING NET POSITION (DEFICIT), AS RESTATED (Note 12E)	45,407,467	(1,181,682)	(1,078,940)
ENDING NET POSITION (DEFICIT)	\$45,654,898	\$166,004	(\$1,192,657)

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental</u>
<u>Vallejo Station</u>	<u>Fiber Optic</u>	<u>Totals</u>	<u>Activities-</u>
<u>Parking</u>			<u>Internal Service</u>
			<u>Funds</u>
\$1,186,887	\$1,793	\$44,866,197	\$16,800,912
		171,308	27,998
<u>1,186,887</u>	<u>1,793</u>	<u>45,037,505</u>	<u>16,828,910</u>
612,752	\$37,447	24,131,854	8,364,720
838,884	142,898	11,492,860	
			6,594,314
<u>1,688</u>	<u>1,788</u>	<u>5,886,216</u>	<u>1,375,334</u>
<u>1,453,324</u>	<u>182,133</u>	<u>41,510,930</u>	<u>16,334,368</u>
<u>(266,437)</u>	<u>(180,340)</u>	<u>3,526,575</u>	<u>494,542</u>
2,759	3,599	203,147	146,448
			134,785
		<u>(2,671,456)</u>	
<u>2,759</u>	<u>3,599</u>	<u>(2,468,309)</u>	<u>281,233</u>
<u>(263,678)</u>	<u>(176,741)</u>	<u>1,058,266</u>	<u>775,775</u>
		1,018,049	
356,000		2,652,823	750,000
		<u>(500,000)</u>	
<u>92,322</u>	<u>(176,741)</u>	<u>4,229,138</u>	<u>1,525,775</u>
		<u>(2,832,157)</u>	
<u>92,322</u>	<u>(176,741)</u>	<u>1,396,981</u>	
<u>249,335</u>	<u>(16,371)</u>	<u>43,379,809</u>	<u>(6,391,420)</u>
<u>\$341,657</u>	<u>(\$193,112)</u>	<u>\$44,776,790</u>	<u>(\$4,865,645)</u>

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds		
	Water	Marina	Golf
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$39,640,872	\$1,461,918	\$2,648,467
Payments to suppliers	(20,066,503)	(1,350,313)	(2,725,392)
Payments to or on behalf of employees	(7,439,418)	(17,732)	
Claims paid			
Cash Flows from Operating Activities	<u>12,134,951</u>	<u>93,873</u>	<u>(76,925)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund receipts (payments)	(500,000)	1,541,257	755,566
Intergovernmental receipts (payments)		7,172	
Cash Flows from Noncapital Financing Activities	<u>(500,000)</u>	<u>1,548,429</u>	<u>755,566</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets			(26,000)
Acquisition of capital assets	(5,769,640)		(295,508)
Principal payments on capital debt	(2,833,352)	(579,147)	(59,458)
Interest paid	(2,345,058)	(120,853)	(380,966)
Capital grants and contributions	1,018,049		
Cash Flows from Capital and Related Financing Activities	<u>(9,930,001)</u>	<u>(700,000)</u>	<u>(380,966)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	187,395	6,747	2,647
Cash Flows from Investing Activities	<u>187,395</u>	<u>6,747</u>	<u>2,647</u>
Net Cash Flows	1,892,345	949,049	300,322
Cash and investments at beginning of period	<u>26,400,756</u>	<u>1,117,225</u>	<u>751,738</u>
Cash and investments at end of period	<u><u>\$28,293,101</u></u>	<u><u>\$2,066,274</u></u>	<u><u>\$1,052,060</u></u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:			
Operating income (loss)	\$4,652,580	\$59,138	(\$738,366)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	5,309,348	54,986	518,406
Loss on retirement of capital assets	168,680		
Change in assets and liabilities:			
Receivables, net	(425,214)	(51,289)	(1,902)
Inventory and prepaids	68,052	(5,380)	25,034
Other assets	7,188		
Accounts payable and other accrued expenses	381,160	10,378	(10,146)
Employee benefits payable	17,634	(5,553)	
Net pension liability and deferred outflows/inflows of resources related to pensions	1,996,206	28,196	
Net OPEB liability and deferred outflows/inflows of resources related to OPEB	(277,629)	(3,257)	
Deposits payable	142,692	9,326	
Unearned revenue	94,254	(2,672)	130,049
Claims payable			
Cash Flows from Operating Activities	<u>\$12,134,951</u>	<u>\$93,873</u>	<u>(76,925)</u>
Non cash transactions:			
Accreted interest		(\$139,894)	(\$77,800)
Amortization of bond premium	\$143,990		
Retirement of capital assets	<u>\$168,680</u>		

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds

Vallejo Station Parking	Fiber Optic	Totals	Governmental Activities- Internal Service Funds
\$1,131,298		\$44,882,555	\$16,847,319
(540,799)	(445)	(24,683,452)	(2,296,196)
(847,261)	(133,618)	(8,438,029)	(6,058,240)
			(4,824,314)
<u>(256,762)</u>	<u>(134,063)</u>	<u>11,761,074</u>	<u>3,668,569</u>
356,000		2,152,823	750,000
		7,172	911,613
<u>356,000</u>		<u>2,159,995</u>	<u>1,661,613</u>
			134,785
(16,878)	(178,770)	(5,991,288)	(2,064,331)
		(3,708,007)	
		(2,525,369)	
		1,018,049	
<u>(16,878)</u>	<u>(178,770)</u>	<u>(11,206,615)</u>	<u>(1,929,546)</u>
2,759	3,599	203,147	146,448
<u>2,759</u>	<u>3,599</u>	<u>203,147</u>	<u>146,448</u>
85,119	(309,234)	2,917,601	3,547,084
605,664	830,000	29,705,383	24,355,015
<u>\$690,783</u>	<u>\$520,766</u>	<u>\$32,622,984</u>	<u>\$27,902,099</u>
(\$266,437)	(\$180,340)	\$3,526,575	\$494,542
1,688	1,788	5,886,216	1,375,334
		168,680	
(55,589)	(1,793)	(535,787)	14,312
		87,706	
		7,188	(3,397)
44,104	37,002	462,498	1,510,765
(5,120)	9,280	16,241	(10,354,596)
27,849		2,052,251	78,041
(3,257)		(284,143)	8,783,568
		152,018	
		221,631	
			1,770,000
<u>(256,762)</u>	<u>(134,063)</u>	<u>\$11,761,074</u>	<u>\$3,668,569</u>
		<u>(\$217,694)</u>	
		<u>\$143,990</u>	
		<u>\$168,680</u>	



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CITY OF VALLEJO, CALIFORNIA

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City as a trustee 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.

The City uses Agency Funds to account for its Improvement District and Assessment District funds. These funds account for the annual collection of assessments and disbursements to district bond holders for debt without City commitment.

The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used to make payments that are on the Enforceable Obligations Schedule and to dispose of assets and property of the former Redevelopment Agency for the benefit of the taxing agencies.

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

	Agency Funds	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS		
Cash and investments (Note 2)	\$3,860,885	\$955,617
Restricted cash and investments held with fiscal agent (Note 2)	3,649,182	1,075,793
Capital assets (Note 15B):		
Nondepreciable		659,700
Depreciable, net of accumulated depreciation		63,253
	<u>\$7,510,067</u>	<u>2,754,363</u>
Total Assets	<u>\$7,510,067</u>	<u>2,754,363</u>
LIABILITIES		
Account payable and accrued liabilities		2,197
Accrued interest payable		93,847
Long-term debt, due within one year (Note 15C)		895,000
Long-term debt, due in more than one year (Note 15C)		9,943,695
Due to property owners	\$37,215	
Due to bondholders	7,472,852	
	<u>7,510,067</u>	<u>10,934,739</u>
Total Liabilities	<u>\$7,510,067</u>	<u>10,934,739</u>
NET POSITION		
Held in trust for other purposes		<u>(\$8,180,376)</u>

See accompanying notes to financial statements

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

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund <hr style="border: 0.5px solid black;"/>
ADDITIONS	
Taxes	\$1,523,091
Use of money and property	13,924
Transfer of capital assets from the City (Note 15B)	<u>8,738</u>
Total Additions	<u>1,545,753</u>
DEDUCTIONS	
Community development	374,325
Depreciation	5,827
Debt service:	
Interest and fiscal agent fees	<u>388,805</u>
Total Deductions	<u>768,957</u>
CHANGE IN NET POSITION	776,796
Net position (deficit), beginning	<u>(8,957,172)</u>
Net position (deficit), ending	<u><u>(\$8,180,376)</u></u>

See accompanying notes to financial statements



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CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Financial Reporting Entity*

The City was incorporated in 1868 as a charter City, with a Council-Manager form of Government, and provides all municipal services, excluding garbage disposal and electricity.

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. Each discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

The City's component units are described below:

- Housing Authority of the City of Vallejo (Blended Component Unit)
- Marine World Joint Powers Authority (Blended Component Unit)
- Parking Authority of the City of Vallejo (Blended Component Unit)
- Public Financing Authority of the City of Vallejo (Blended Component Unit)
- Empress Investment Fund, LLC (EIF) (Blended Component Unit)
- Vallejo Flood and Wastewater District (Discrete Component Unit)
- Vallejo Flood and Wastewater District Financing Corporation (Discrete Component Unit)

Additional financial information for each of these entities can be obtained from the Finance Department City of Vallejo, 555 Santa Clara Street, Vallejo, CA 94590.

PRIMARY GOVERNMENT

The financial statements of the primary government of the City of Vallejo include the activities of the City as well as the Housing Authority of the City of Vallejo, the Marine World Joint Powers Authority, the Parking Authority of the City of Vallejo, the Public Financing Authority of the City of Vallejo and the Empress Investment Fund LLC, all of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blended") with those of the primary government of the City in the accompanying financial statements.

Blended Component Units

The Housing Authority of the City of Vallejo -- was formed in June 1942 and is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through federal assistance programs and mortgage revenue bond programs. On February 1, 2012, the Housing Authority also elected to assume the responsibilities of the Housing Successor for the low/moderate income housing programs of the former Redevelopment Agency. The Housing Authority is governed by a Board of Commissioners composed of the City Council members and two tenants of the Housing Authority. The operations of the Housing Authority are reported in the Housing Authority Special Revenue Fund. Management of the City has operational responsibility for the Authority. Separate financial statements for the Housing Authority may be obtained by contacting the office of the Finance Director at 555 Santa Clara Street, Vallejo, California, 94590, phone 707-648-4592.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Marine World Joint Powers Authority — was formed in October 1996, pursuant to the Joint Exercise of Powers Act of the Government Code of the State of California for the purpose of assuming ownership of the Marine World Africa USA theme park from the Marine World Foundation. The City Council is the governing body of the Marine World JPA. The City has full accountability for the Authority's fiscal affairs. The Authority had no activity and had no assets or liabilities during the year ended June 30, 2018. The Authority does not issue separate financial statements.

The Parking Authority of the City of Vallejo — was formed in May 1975, pursuant to the provisions of California statutes. Operations of the Parking Authority began in May 1977, with the execution of a joint powers agreement with the City. The purpose of this agreement was to provide the acquisition, construction, financing and operation of parking facilities in the downtown area of the City. The City Council is the governing board of the Parking Authority. The City has full accountability for the Authority's fiscal affairs. The Authority's parcels of land had a carrying value of \$72,800 as of June 30, 2018. The Authority is inactive and had no activity during the year ended June 30, 2018. The Authority does not issue separate financial statements.

The Public Financing Authority of the City of Vallejo — was formed in July 1990. The primary purpose of the Financing Authority is to provide financing for City projects. The City Council is the governing board of the Financing Authority. The City has full accountability for the Authority's fiscal affairs. The activities of the Authority are blended with the Certificates of Participation Debt Service Fund, Marina Enterprise Fund and Golf Enterprise Fund. The Authority does not issue separate financial statements.

The Empress Investment Fund, LLC (EIF) — is a limited liability corporation formed in 2007 to leverage New Market Tax Credits as a source of additional private investment in the historic Empress Theater (Theater). After seven years, in October 2014, the tax credit program matured and the private investor exercised its put option which transferred ownership of the EIF to the Successor Agency. In 2017, ownership of the EIF was transferred by the Successor Agency to the City.

The Empress Theater property is owned, leased, and operated through a series of limited liability corporations. Through the EIF, the City holds 100% ownership of the Empress Theater Master Tenant, LLC (ETMT), which in turn holds a 49% ownership position in Empress Theater Associates, LLC, (ETA). ETA holds title to the Empress Theater property.

DISCRETELY PRESENTED COMPONENT UNITS

Vallejo Flood and Wastewater District (VFWD) — was created by an act of the California legislature and began operations in April 1952 as the Vallejo Sanitation and Flood Control District (VSFCD). VSFCD changed its name to the Vallejo Flood and Wastewater District during fiscal year 2018. The purpose of the Act was to give autonomous authority to VFWD to provide for the collection, treatment and disposal of wastewater and to control and dispose of storm waters. From 1993 to 1999 VFWD was part of the City's operations. Commencing July 1, 1999 the VFWD became a separate district from the City. The Board now consists of the seven elected City Council members and one member appointed by the Solano County Board of Supervisors. Although the City Council exercises control over the Board of VFWD, there is no operational responsibility or financial benefit or burden relationship with the primary government.

Separate financial statements for VFWD may be obtained by contacting 450 Ryder Street, Vallejo, CA 94590.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vallejo Flood and Wastewater District Financing Corporation (VFWDFC) — is a non-profit public benefit corporation organized in July 1993 as the Vallejo Sanitation and Flood Control District Financing Corporation (VSFCDFC) and was renamed to the Vallejo Flood and Wastewater District Financing Corporation in March 2018. The VFWDFC was organized under the laws of the State of California for the purpose of assisting the VFWD in funding certain projects and other matters relating to the purpose of VFWD. Members of the Board for VFWD serve as Directors of the VFWDFC. The activities of the VFWDFC are blended with the VFWD and separate financial statements are not prepared for the VFWDFC.

B. Basis of Presentation

These *Basic Financial Statements* are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental 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.

The City's financial position and results of operations are presented from two perspectives in the following two sets of financial statements:

Government-wide Statements: The government-wide financial statements, including the *Statement of Net Position* and the *Statement of Activities*, report the financial activities of the primary government (the City) and its blended and discretely presented component units, using an 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 activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activities of the City, which are custodial in nature, are not included in these statements and are presented separately. Eliminations have been made to minimize the double counting of internal activities. All internal balances in the *Statement of Net Position* have been eliminated except those representing balances between the governmental and business-type activities.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the City. Direct expenses are those that are specifically associated with a program or function. Certain indirect costs are included in program expenses reported for individual functions and activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) operating grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) capital fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

The City may pay for its 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.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: In addition to the government-wide statements described above, the City also presents *Fund Financial Statements*. The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. The City accounts for its operations in governmental, proprietary and fiduciary funds, which include the following categories:

Governmental Funds:

General Fund – To account for resources traditionally associated with general government operations of the City, including Measure B Transaction tax and the related expenditures, and pre-1990 Successor Agency loans and the related revenues, that are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources that are legally restricted to be expended for specified purposes.

Debt Service Funds – To account for the servicing of long-term debt not being financed by business-type funds.

Capital Projects Funds – To account for the acquisition and construction of capital improvements.

Permanent Funds - To account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs — that is, for the benefit of the government or its citizenry.

Proprietary Funds:

Enterprise Funds – To account for operations that are financed substantially through user fees and are operated in a manner similar to private business enterprises.

Internal Service Funds – To account for the financing of goods and services provided by one City department to other departments on a cost reimbursement basis.

Fiduciary Funds:

Agency Funds – To account for assets held by the City as an agent for third parties such as bonded assessment districts.

Trust Funds – Trust funds account for assets held by the City as an agent for various functions. The Successor Agency to the Vallejo Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. As discussed in Note 15, all California redevelopment agencies were dissolved as of January 31, 2012 and replaced with Successor Agencies responsible for winding down the affairs of the redevelopment agencies including disposing of their assets. This fund continues payments on the Enforceable Obligation Schedule and disposes of assets and property of the former Redevelopment Agency for the benefit of taxing agencies.

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

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The government-wide, proprietary, 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental Funds: Governmental funds are used to report the majority of the City's programs. These funds are reported in the *Fund Financial Statements* on the modified accrual basis of accounting, with a focus on current financial resources. This basis differs from the accrual basis of accounting used to report the government-wide financial statements and proprietary and fiduciary fund financial statements.

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 ninety days after year-end. Revenues susceptible to accrual include taxes, intergovernmental revenues, charges for services and interest revenue. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences and claims payable, 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.

Proprietary Funds: The proprietary funds of the City are reported on the accrual basis of accounting in the *Fund Financial Statements*. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the funds. All other expenses are reported as non-operating expenses.

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of items that qualify for reporting in this category. An unamortized loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has deferred outflows and inflows of resources related to pensions and OPEB as discussed in Note 10 and 11, respectively.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from accounts receivable, inter-agency reimbursements and notes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has two items, which arise only under the full-accrual basis of accounting that are reported in this category, which are deferred inflows of resources related to pensions and OPEB as discussed in Notes 10 and 11, respectively.

E. Major Funds

The *Fund Financial Statements* focus on the individual *major* funds of the City, each of which is displayed in a separate column, and the aggregate of remaining funds, which are labeled as *non-major* funds. *Major* funds are defined as funds with assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, expenditures, or expenses equal to ten percent of their fund-type total, and five percent of the grand total, or other funds of reporting significance.

The City reports the following major governmental funds in the accompanying *Fund Financial Statements*:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Housing Authority Special Revenue Fund - is used to account for monies received and expended on housing assistance to low and moderate income families and the assets and liabilities assumed from the Housing Fund of the Former Redevelopment Agency upon the dissolution as of February 1, 2012. Funds are provided by receipts from the Federal Section 8 Housing and Urban Development (HUD) programs.

Mare Island Conversion Capital Projects Fund - accounts for monies received from federal grants which are used for activities relating to the conversion of the Mare Island Naval Shipyard to civilian use.

Capital Outlay Capital Projects Fund - accounts for the expenditure of General Fund and grant funded capital projects, including acquisitions and improvements of public property, public works projects, facilities, equipment and systems.

The City reports all its enterprise funds as major funds in the accompanying *Fund Financial Statements*:

Water Fund - is used to account for the production and distribution of water to residents and businesses located within the City. Water service is also provided to Lakes District and Travis Air Force Base customers outside the City limits.

Marina Fund - is used to account for the operations, improvement and management of the City marina operations.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Golf Fund – is used to account for the capital assets of the City’s municipal golf course and the course operator’s pass-through revenues that service the City debt used to acquire and improve the assets of the fund.

Vallejo Station Parking Fund –is used to account for the operations, maintenance and management of the Vallejo Station Parking Structure.

Fiber Optic Fund – is used to account for the operations, maintenance, and distribution of bandwidth and retail internet services throughout the City’s fiber optic network.

The City also reports the following fund types:

Internal Service Funds: These funds account for equipment maintenance and replacement; employee benefits plans; and for workers’ compensation, unemployment self-insurance, general liability self-insurance, and property insurance coverage; all of which are provided to other departments on a cost-reimbursement basis. Revenues are recognized based on cycle billings rendered to customers.

Fiduciary Funds: Trust funds account for assets held by the City as an agent for various functions. Agency funds are used to account for assets held by the City as an agent for the bondholders of the improvement and assessment land-based debt districts within the City. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of these funds are excluded from the government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

F. *Budgeting Procedures*

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Charter requires the City Manager to submit to the City Council a proposed operating budget by May 17th for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the financing sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.

Level of Budgetary Control - Budgetary control is established at the following levels: a) General Fund – Department level; b) Other Funds – Fund level; and c) Capital Projects – Department level. The City Manager may authorize line item budget transfers within a General Fund department, or within a fund other than the General Fund.

Budget Amendments - City Council authorization is required to transfer appropriations between General Fund departments, or between funds. City Council authorization is also required to establish or amend capital project budgets. The Budget may be amended at such times as the City Council may deem necessary, in accordance with the requirements and procedures contained in the City Charter and Municipal Code.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the General Fund and Special Revenue Funds.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures in Excess of Budget

The General Fund had departmental expenditures in excess of budget and other funds had fund expenditures in excess of budget as follows:

General Fund:	
Fire Services	\$227,143
Traffic Offender/Vehicle Impound Program Special Revenue Fund	31,435
Hazmat Revolving Special Revenue Fund	617
Administrative Trust Special Revenue Fund	11,585

Sufficient resources were available within the funds to finance these excesses.

G. Encumbrance Accounting

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as a component of restricted, committed or assigned fund balance since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year. Encumbrances outstanding at year-end do not lapse and are included as part of the following year budget.

H. Property Tax Revenues

Solano County assesses properties and bills, collects, and distributes property taxes to 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 of the preceding fiscal year. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on January 1. It becomes delinquent after December 10 and April 10, respectively. 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.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *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 – that 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.

J. *Materials, Parts, and Supplies*

Materials, parts and supplies are held for consumption and are valued at average cost. Enterprise fund supplies consist of materials and supplies which are held for future use. General Fund supplies are recorded as an expenditure at the time individual supply items are consumed.

VFWD supplies inventories are valued at cost and follow a first-in-first-out (FIFO) flow. This flow approximates market because ending inventory consists of the most recent items purchased. Inventories are recorded as expenses when consumed rather than when purchased.

K. *Land Held for Redevelopment*

Land held for redevelopment is stated at the lower of historical cost or net realizable value, if estimable. Net realizable value equals the agreed-upon sales price when a disposition agreement has been reached with a developer.

L. *Prepays*

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

M. *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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF VALLEJO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. New Fund and Inactive Fund

In fiscal year 2018, the City established the Road Maintenance and Rehabilitation Capital Project Fund to account for street maintenance and capital projects to be paid from Senate Bill (SB) 1 allocation.

The Fire Station #7 Capital Projects Fund did not have any activity in fiscal year 2018 and was closed as of July 1, 2016. However, the Fund is expected to have activity in the future.

NOTE 2 – CASH AND INVESTMENTS

A. Administration

Investments are administered separately by the City and by its blended component unit, the Housing Authority of the City of Vallejo, and by the discrete component unit, the VFWD. The respective cash and investment positions as of June 30, 2018 for each of these legal entities is as follows:

	Primary Government		Fiduciary Funds	Subtotal	Discrete Component Unit	Total
	City	Housing				
Cash on hand	\$8,867	\$450		\$9,317	\$7,000	\$16,317
Deposits	5,544,929	4,293,524		9,838,453	11,512,396	21,350,849
Investments	175,330,674	763,262	\$9,541,477	185,635,413	36,290,162	221,925,575
	<u>\$180,884,470</u>	<u>\$5,057,236</u>	<u>\$9,541,477</u>	<u>\$195,483,183</u>	<u>\$47,809,558</u>	<u>\$243,292,741</u>

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below:

Reported on the Statement of Net Position

Primary Government:

Cash and investments:

These balances are available for operations of the City's various programs and funds subject to their respective grant, fee, assessment, contract, or other restrictions.

City		
General Fund, including Measure B	\$21,200,590	
Other funds	119,949,696	
Total, City		\$141,150,286
Housing Authority		5,057,236
		146,207,522

Restricted cash and investments (held by fiscal agents):

These balances are held by the City or third party fiscal agents pursuant to debt covenants or other agreements.

City		39,734,184
Subtotal Primary Government cash and investments		185,941,706

Discrete Component Unit (VFWD):

Cash and investments 40,343,512

Restricted cash and investments (held by fiscal agents):

These balances are held by third party fiscal agents pursuant to debt covenants or other agreements.

Subtotal Component Unit cash and investments	7,466,046
	47,809,558

Reported on the Statement of Fiduciary Net Position

Agency Funds		
Cash and investments	3,860,885	
Restricted investments (held by fiscal agents)	3,649,182	
Total, Agency Funds		7,510,067
Successor Agency to the Redevelopment Agency		
Private-Purpose Trust Fund		
Cash and investments	955,617	
Restricted investments (held by fiscal agents)	1,075,793	
Total, Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund		2,031,410
Subtotal Fiduciary Funds cash and investments		9,541,477
Total cash and investments		\$243,292,741

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Policies

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools idle cash from all sources and all funds, except Cash with Fiscal Agents, Housing Authority, and the VFWD, so that it can be invested to achieve a reasonable rate of return, consistent with safety and liquidity.

Cash receipts and disbursements, including payroll, are processed by City staff which administers activities for the following separate legal entities: the City, the Successor Agency to the Redevelopment Agency, and the Housing Authority.

These cash transactions are recorded in the City's main checking account with transactions allocated to each applicable general ledger fund of the City and its blended component units pending periodic reimbursement and settlement of inter-agency balances. As of June 30, 2018, the City held balances of cash for each of the above entities representing their equity in the City's checking account.

Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds.

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 individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order 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 generally accepted accounting principles. 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.

Cash and cash equivalents, including restricted cash, are considered to be liquid assets for purpose of measuring cash flows.

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

The City's Investment Policies and the California Government Code permit the following investments, provided the credit ratings of the issuers are acceptable and approved percentages and maturities are not exceeded. The tables below also identify certain provisions of the California Government Code, or Investment Policies if more restrictive, that addresses 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 debt agreements, rather than the general provisions of the California Government Code or investment policies.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

City and Housing Authority

The City's investment policy and the California Government Code allow the City and the Housing Authority to invest in the following investments:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Government Treasury Bills, Bonds and Notes	5 Years	No Limit	No Limit	No Limit
U.S. Government Agencies and Government Sponsored Enterprises	5 Years	No Limit	50%	No Limit
Repurchase Agreements	30 days	No Limit	20%	No Limit
Bankers Acceptances	180 days	No Limit	5%	\$1,000,000
Commercial Paper	270 days	Highest Rating	25%	\$1,000,000
Corporate Medium Term Notes:				
Maturing in 3 years or less	5 Years	A	30%	5%
Maturing in 3 to 5 years	5 Years	AA	30%	5%
Certificates of Deposit	5 Years	No Limit	10%	No Limit
Negotiable Certificates of Deposit	5 Years	AA	5%	No Limit
Local Agency Investment Fund State Pool	No Limit	No Limit	\$65 million per account	No Limit
State of California or Local Agency Bonds	5 Years	A	10%	No Limit
Mutual Funds and Money Market Mutual Funds	On Demand	Highest Rating	10%	10%
Asset Backed Securities	5 Years	AAA	20%	No Limit
Mortgage Backed Securities or Collateralized Mortgage Obligations	5 Years	AAA	20%	No Limit
Local Government Investment Pools	On Demand	No Limit	No Limit	No Limit
Municipal Bonds of Other States	5 Years	AA	10%	5%

**CITY OF VALLEJO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018**

NOTE 2 - CASH AND INVESTMENTS (Continued)

VFWD

VFWD’s investment policy and the California Government Code allow the VFWD to invest in the following investments:

Authorized Investment Type	Limits
United States Treasury Securities	None
Obligations of United States Government Agencies	None
Repurchase Agreements and Reverse Repurchase Agreements	Various
Negotiable Certificates of Deposit	30%
Non-Negotiable Certificates of Deposit	30%
Bankers’ Acceptances	40%
Commercial Paper of “Prime” Quality	25%
Corporate Medium Term Notes, rated A or better	30%
10-Year Maturity Eligible Investments	10%
Shares in Beneficial Interest Money Market Funds, two highest ratings	20%
State of California Local Agency Investment Fund	None

E. Public Agencies Post-Employment Trust

On August 22, 2017, the City Council adopted resolution 17-094 N.C. approving the adoption of the Public Agencies Post-Employment Trust administered by Public Agency Retirement Services (PARS). The Trust is an irrevocable trust and qualifies as an Internal Revenue Section 115 trust. This trust will assist the City in mitigating the CalPERS contribution rate volatility. Investments of funds held in Trust are governed by the Investment Guideline Document for the investment account and by the agreement for administrative services with PARS, rather than the general provisions of the California Government Code or the City’s investment policy. The City elected a discretionary investment approach which allows the City to maintain oversight of the investment management, control on target yield and the portfolio’ risk tolerance, under the Moderate HighMark PLUS Mutual Fund investment option. The assets in the Trust will eventually be used to fund pension plan obligations.

F. Investments Authorized by Debt Agreements

The City and VFWD 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 these entities fail to meet their obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with resolutions, bond indentures or State statutes. The table below identifies, by entity, the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

City Debt Agreements

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	No Limit	No Limit	No Limit	No Limit
U.S. Government Agency Obligations	No Limit	Two highest ratings	No Limit	10%
Money Market Funds	No Limit	Prime-1/AA-m	No Limit	No Limit
Government Money Market Funds	360 days	Highest rating	No Limit	No Limit
Insured FDIC deposits	No Limit	No Limit	No Limit	No Limit
Interest-Bearing & Time Deposits – Banks or Savings and Loans or Mutual Savings Banks	No Limit	A-1	No Limit	No Limit
Bankers Acceptances	180 days	Two highest ratings	No Limit	No Limit
Commercial Paper	270 days	A-1+	No Limit	No Limit
Repurchase Agreements	180 days	A	No Limit	No Limit
Tax-Exempt Obligations	No Limit	Two highest ratings	No Limit	No Limit
Rated Investment Agreements and Contracts	No Limit	Three highest ratings	No Limit	No Limit
State (or Municipality) Bonds/Notes	No Limit	Two highest ratings	No Limit	No Limit
Local Agency Investment Fund	No Limit	No Limit	No Limit	No Limit
Local Government Investment Pools	No Limit	No Limit	No Limit	No Limit
Taxable Bonds	No Limit	A-1	No Limit	No Limit

G. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of these investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following tables that show the distribution of these investments by maturity date or earliest call date at June 30, 2018.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

City and Housing Authority

Investment Type	Less than 1 year	1 - 3 years	3 - 5 years	Total
<i>Held by the City and its Blended Component Units:</i>				
U.S. Government Agencies	\$6,448,032	\$14,508,873	\$7,295,822	\$28,252,727
Asset Backed Securities	10,489	4,224,699	3,237,406	7,472,594
Certificates of Deposit - Negotiable	764,595			764,595
Corporate Medium Term Notes	6,317,588	9,921,681	1,205,014	17,444,283
U.S. Treasury Notes	9,487,965	12,029,553	9,779,201	31,296,719
California Local Agency Investment Fund:				
City	53,530,182			53,530,182
Housing Authority	763,262			763,262
Money Market Mutual Funds	391,223			391,223
Municipal Bonds	745,733	518,340		1,264,073
<i>Held by Fiscal Agents:</i>				
PARS Post-Employment Benefit Trust -				
HighMark PLUS Mutual Fund	1,968,128			1,968,128
U.S. Treasury Notes	24,410,840			24,410,840
Money Market Mutual Funds	18,076,787			18,076,787
Total Investments	<u>\$122,914,824</u>	<u>\$41,203,146</u>	<u>\$21,517,443</u>	<u>\$185,635,413</u>

Money market funds are available for withdrawal on demand and at June 30, 2018, have an average maturity of 26 days.

VFWD

Investment Type	Less than 1 year	1 - 5 years	Total
U.S. Government Agencies	\$3,982,440	\$13,666,040	\$17,648,480
Medium Term Corporate Notes	889,498	958,910	1,848,408
Certificates of Deposit - Non-Negotiable	1,231,385	965,145	2,196,530
California Local Agency Investment Fund	3,516,376		3,516,376
Money Market Funds	4,360,949		4,360,949
Held by Trustee:			
U.S. Treasury Notes	475,523		475,523
U.S. Government Agencies		2,431,110	2,431,110
Money Market Mutual Funds (U.S. Securities)	3,812,786		3,812,786
Total Investments	<u>\$18,268,957</u>	<u>\$18,021,205</u>	<u>\$36,290,162</u>

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund

The City, the Housing Authority, and the VFWD are participants 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 balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, however, each account is limited to fifteen transactions per month. 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, 2018, these investments have an average maturity of 193 days.

H. 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 actual rating as of June 30, 2018 for the City and Housing Authority by investment type as provided by Moody's investment rating system.

City and Housing Authority

Investment Type	Aaa	AA1 to AA3	A1 to A3	P1	Total
<i>Held by the City and its Blended Component Units:</i>					
U.S. Government Agencies					
Non-callable	\$28,252,727				\$28,252,727
Asset Backed Securities	7,472,594				7,472,594
Certificates of Deposit - Negotiable				\$764,595	764,595
Corporate Medium Term Notes	1,748,551	\$6,381,247	\$9,314,485		17,444,283
Money Market Mutual Funds	391,223				391,223
Municipal Bonds		1,264,073			1,264,073
<i>Held by Fiscal Agents:</i>					
Money Market Mutual Funds	18,076,787				18,076,787
Total rated investments	<u>\$55,941,882</u>	<u>\$7,645,320</u>	<u>\$9,314,485</u>	<u>\$764,595</u>	<u>73,666,282</u>
<i>Exempt:</i>					
U.S. Treasury Notes					55,707,559
<i>Not rated:</i>					
California Local Agency Investment Fund:					
City					53,530,182
Housing Authority					763,262
PARS Post-Employment Benefit Trust -					
HighMark Plus Mutual Fund					1,968,128
Total Investments					<u>\$185,635,413</u>

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

VFWD

Presented below is the actual rating as of June 30, 2018 for the VFWD by investment type as provided by Standard and Poor's investment rating system:

Investment Type	AAA/AAAm	AA+/AA/AA-	Total
<i>Held by the City and its Blended Component Units:</i>			
U.S. Government Agencies		\$20,079,590	\$20,079,590
Medium Term Corporate Notes	\$958,910	753,925	1,712,835
Money Market Funds	8,173,735		8,173,735
Total rated investments	\$9,132,645	\$20,833,515	29,966,160
<i>Not rated:</i>			
Medium Term Corporate Notes			135,573
California Local Agency Investment Fund			3,516,376
Certificates of Deposit - Non-Negotiable			2,196,530
<i>Exempt:</i>			
U.S. Treasury Notes			475,523
Total Investments			\$36,290,162

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

I. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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.

City and Housing Authority

The following is a summary of the fair value hierarchy of the fair value of investments of the City and Housing Authority as of June 30, 2018:

	Level 1	Level 2	Total
Investments by Fair Value Level:			
U.S. Government Agencies		\$28,252,727	\$28,252,727
Asset Backed Securities		7,472,594	7,472,594
Commercial Paper		764,595	764,595
Corporate Medium Term Notes		17,444,283	17,444,283
U.S. Treasury Notes	\$55,707,559		55,707,559
Municipal Bonds		1,264,073	1,264,073
Subtotal	\$55,707,559	\$55,198,272	110,905,831
 Investments Measured at Amortized Cost:			
Money Market Mutual Funds			391,223
PARS Post-Employment Benefit Trust - HighMark PLUS Mutual Fund			1,968,128
Held with Fiscal Agent: Money Market Mutual Funds			18,076,787
Investments Not Subject to Fair Value Hierarchy:			
California Local Agency Investment Fund: City			53,530,182
Housing Authority			763,262
Total Investments			\$185,635,413

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

U.S. Treasury Notes, classified in Level 1 of the fair value hierarchy, are valued using IDC Institutional Bond Pricing. Asset Backed Securities, classified in Level 2 of the fair value hierarchy, are valued using IDC CMO pricing service. Negotiable Certificates of Deposit, classified in Level 2 of the fair value hierarchy, are valued using IDC CD Pricing. Corporate Medium Term Notes, classified in Level 2 of the fair value hierarchy, are valued using IDC Institutional Bond Pricing. Municipal Bonds, classified in level 2 of the fair value hierarchy, are valued using JJ Kenny Municipal. These prices are obtained from various pricing sources by our custodian bank. Fair value is defined as the quoted market value on the last trading day of the period.

VFWD

The following is a summary of the fair value hierarchy of the fair value of investments of the VFWD as of June 30, 2018:

	Level 1	Level 2	Total
<i>Investments by Fair Value Level:</i>			
<i>Held by the District</i>			
U.S. Government Agencies		\$17,648,480	\$17,648,480
Medium Term Corporate Notes		1,848,408	1,848,408
<i>Held by Trustee:</i>			
U.S. Treasury Notes	\$475,523		475,523
U.S. Government Agencies		2,431,110	2,431,110
Subtotal	\$475,523	\$21,927,998	22,403,521
 <i>Investments Measured at Amortized Cost:</i>			
<i>Held by the District</i>			
Money Market Funds			4,360,949
<i>Held by Trustee:</i>			
Money Market Funds			3,812,786
<i>Investments Measured at Cost:</i>			
Certificates of Deposit - Non-Negotiable			2,196,530
<i>Investments Exempt from Fair Value Hierarchy</i>			
California Local Agency Investment Fund			3,516,376
Total Investments			\$36,290,162

U.S. Treasury Notes, classified in Level 1 of the fair value hierarchy, are valued using quoted prices in active markets. U.S. government agencies, corporate notes and bonds, certificates of deposit, and money market mutual funds, classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The California Local Agency Investment Fund, exempt from the fair value hierarchy, is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

J. Concentration Risk

The City and the VFWD investment policies regarding the amount that can be invested in any one issuer are stipulated by the California Government Code. However, these entities are required to disclose investments that represent a concentration of 5% or more of investments in any one issuer, held by individual Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools.

At June 30, 2018, these entities' investments that represent a concentration of investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual funds or external investment parts, are set forth below.

City Concentration Risk

Unit	Issuer	Investment Type	Reported Amount
Entity-wide	Federal National Mortgage Association	U.S. Government Agencies	\$10,762,814
Entity-wide	Federal Home Loan Bank	U.S. Government Agencies	13,283,834

VFWD Concentration Risk

Unit	Issuer	Investment Type Type	Reported Amount
Entity-wide	Federal National Mortgage Association	U.S. Government Agencies	\$8,257,830
Entity-wide	Federal Home Loan Mortgage Corporation	U.S. Government Agencies	6,843,700
Entity-wide	Federal Farm Credit Bank	U.S. Government Agencies	3,982,440

K. Custodial Credit Risk

The custodial credit risk for cash deposits is the risk that, in the event of the failure of the financial institution holding the deposits, the depositor will not be able to recover the value of its deposits.

At June 30, 2018, the VFWD deposit and investment balances were exposed to custodial risk as follow:

Deposits - uninsured and collateralized with securities held by the pledging bank's trust department or agent not in the District's name	\$606,629
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CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

Transfers between funds during the fiscal year ended June 30, 2018 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
General Fund, including Measure B	Capital Outlay Capital Projects Fund	\$8,814,150 (A) (B) (C)
	Marina Enterprise Fund	1,300,000 (A) (D) (E)
	Golf Enterprise Fund	755,566 (A) (D) (E)
	Vallejo Station Parking Enterprise Fund	356,000 (D)
	Mare Island Base Reuse Special Revenue Fund	274,250 (D)
	Emergency Disaster Special Revenue Fund	500,000 (F)
	Certificates of Participation Debt Service Fund	1,185,876 (E)
	Long-Term Maintenance Capital Projects Fund	100,000 (A)
	Self-Insurance Internal Service Fund	750,000 (G)
Special Revenue Funds:		
State Gas Tax	Traffic Congestion Relief Capital Projects Fund	681,605 (A)
Outside Services	General Fund	3,545 (D)
State Lands	Marina Enterprise Fund	241,257 (D)
Administrative Trust	General Fund	3,671 (D)
Capital Projects Funds:		
Bridge Construction	Housing Authority Special Revenue Fund	5,911 (H)
Hiddenbrooke Overpass	Housing Authority Special Revenue Fund	5,801 (H)
Arts and Convention Center	General Fund	185,653 (D)
	Housing Authority Special Revenue Fund	46,413 (H)
Enterprise Funds:		
Water Fund	Emergency Disaster Special Revenue Fund	<u>500,000 (F)</u>
	Total	<u><u>\$15,709,698</u></u>

- (A) To fund capital program projects.
- (B) To transfer technology surcharge fees to Capital Projects Fund.
- (C) To fund Participatory Budgeting projects.
- (D) To fund city operations.
- (E) To fund debt service payments.
- (F) To fund Atlas Fire and Winter storm costs.
- (G) To transfer amounts to reduce or eliminate fund deficits.
- (H) To fund affordable housing.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

B. Current Interfund Balances

As of June 30, 2018, the City’s Insurance Internal Service Fund had provided short-term lending to the following funds with deficit cash positions. These balances are expected to be repaid shortly after the end of the fiscal year upon receipt of grant or other reimbursements.

	Due from Other Funds	Due to Other Funds
Special Revenue Funds:		
Community Development Block Grant		\$108,063
Office of Traffic Safety		27,912
Justice Assistance Grant		2,006
State Lands		10,832
Hazmat Revolving		10,300
Capital Projects Funds:		
Capital Grants and Contributions		758,909
Internal Service Fund:		
Self-Insurance	\$918,022	
Total	\$918,022	\$918,022

C. Long-Term Interfund Advances

At June 30, 2018 the funds below made advances that are not expected to be repaid within the next year:

(Asset) Fund Making Advance	(Liability) Funds Receiving Advance	Amount
General Fund	Fiber Optic Enterprise Fund	\$830,000
	Marina Enterprise Fund	5,037,451
	Golf Enterprise Fund	3,642,952
	Vallejo Station Parking Enterprise Fund	1,059,984
	Allowance for collectability	(9,740,387)
	Net Advances	\$830,000

Fiber Optic Master Plan

In Fiscal Year 2017, the General Fund advanced \$830,000 to the Fiber Optic Enterprise Fund in coordination with the City’s adopted Fiber Optic Master Plan. The Fiber Optic Enterprise Fund requires initial funds to provide a capital and operating reserve, allowing the project to move forward until revenues commence. The long-term advance is expected to be repaid once City Council determines the Fiber Optic Enterprise Fund has reached sustainability. Payments of \$150,000 are due annually on June 30, 2021 through June 30, 2024 and one final payment of \$230,000 on June 30, 2025.

Subsidies Allowance

Cumulative to June 30, 2018, the General Fund has advanced \$5,037,451 to the Marina Enterprise Fund, \$3,642,952 to the Golf Enterprise Fund and \$1,059,984 to the Vallejo Station Parking Enterprise Fund. These General Fund advances are set up with a 100% allowance for collectability and there are currently no repayment plans since these funds are operating at a deficit. However, the City is anticipating future repayments with the increase in marina and parking rates. The City is also evaluating options for the Golf Course, which includes private investment and/or sale of the property.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

D. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 4 – NOTES & LOANS RECEIVABLE

A. Summary of Notes and Loans Receivable

The following notes and loans receivable were outstanding as of June 30, 2018:

Types of Loans	Fund Type	Amounts
Primary Government and Blended Component Units:		
<u>Housing Programs</u>		
Housing Authority Programs	Major Governmental	
Affordable housing (20% Set Aside):		
Avian Glen		\$3,093,750
Eden Housing/Sereno Village		2,500,000
Simpson/Bayview		1,536,843
Marina Towers		750,000
Simpson/Solano Vista I		500,000
Single family residential		382,989
Temple Arts Lofts		750,000
Accrued interest		2,865,653
Residential Rehabilitation		246,592
Vallejo Housing Collaborative		672,532
		13,298,359
HOME Program	Non-major Governmental	
Avian Glen		900,000
Marina Towers		500,000
Temple Arts Lofts		495,734
Vallejo Housing Collaborative		100,000
Solano-Napa Habitat for Humanity		93,735
Single family residential		2,602,920
		4,692,389
Community Development Block Grant	Non-major Governmental	
Reynaissance Family Center		920,362
Youth & Family Services		240,000
Temple Art Lofts		400,000
Single family residential		531,267
		2,091,629
Neighborhood Stabilization Program	Non-major Governmental	
Temple Art Lofts		1,437,844
Single family residential		300,786
		1,738,630

(Continued)

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)

Types of Loans	Fund Type	Amounts
<u>Development Programs</u>		
<u>Sereno Village Apartments</u>		
General Fund	Major Governmental	1,037,789
Neighborhood Parks Fund	Non-major Governmental	185,966
		<u>1,223,755</u>
<u>Other Programs</u>		
General Fund-Temple Art Lofts	Major Governmental	23,821
Water Fund - Trailer City	Major Enterprise	18,535
Transportation Impact Mitigation Fund - Temple Art Lofts	Non-major Governmental	89,088
Empress Theater Fund - Empress Theatre Associates, LLC	Non-major Governmental	47,754
		<u>179,198</u>
<u>Advances to Former Redevelopment Agency (Successor Agency)</u>		
<u>Empress Theater</u>		
Hiddenbrooke Overpass Fund	Non-major Governmental	596,499
Arts and Convention Center Fund	Non-major Governmental	4,765,862
<u>Georgia Street Extension</u>		
Bridge Construction Fund	Non-major Governmental	606,334
		<u>5,968,695</u>
Total Primary Government notes and loans receivable		<u>29,192,655</u>
VFWD:		
<u>Development Program</u>		
Sereno Village Apartments		253,509
Employee computer loans		41,440
Total Component Unit notes and loans receivable		<u>294,949</u>
Total notes and loans receivable		<u>\$29,487,604</u>

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)

B. *Affordable Housing and Residential Rehabilitation*

Various residential purchase and rehabilitation loan programs were offered to qualifying low- to moderate-income individuals by the former Redevelopment Agency through the Affordable Housing Special Revenue Fund. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans range from 3.0% to 8.0% and the principal maturity dates range from 5 years to 30 years. Deferred interest loans are offered as well as below-market-rate 30-year loans. Interest income is recorded as payments are received. In addition, the former Redevelopment Agency had entered into agreements with developers to assist in the development of affordable housing. The notes receivable are secured by deeds of trust and bear varying interest rates.

Under the provisions of AB 1484, the City's Housing Authority elected to become the Housing Successor and retain the housing assets of the former Redevelopment Agency. On February 1, 2012 certain former Redevelopment Agency housing assets were transferred to the Housing Authority which is reported in the Housing Authority Special Revenue Fund as the Housing Authority has control of those assets, which are to be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The residential rehabilitation loan is a single loan to Temple Art Lofts with an agreement that the principal shall be due and payable in full upon the 55th anniversary of the date of the note which is December 15, 2011. As long as no Event of Default occurs prior to the maturity date, borrower shall not be obliged to pay periodic payments of principal and or interest on the principal amount. The outstanding balance at June 30, 2018 remains at \$246,592.

In July 2014, the Housing Authority entered into a loan agreement with Vallejo Housing Collaborative, LLC, in the amount of \$900,000. The proceeds of the loan will be used to acquire, rehabilitate and operate from ten to twelve properties that are improved with housing to provide permanent housing for extremely low income individuals and households transitioning from homelessness. The loan bears simple interest of 3% and is repayable from residual receipts as defined in the agreement. The loan will be secured by up to twelve deeds of trust on the properties and unpaid principal and interest is due on or before the thirtieth anniversary of the promissory note. As of June 30, 2018, the developer had drawn down \$672,532 of the loan proceeds.

C. *HOME Program, CDBG Program, and NSP Program*

Various residential purchase and rehabilitation loan programs are offered to qualifying low- to moderate-income individuals by the City through the, HOME, CDBG and NSP Programs. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans range from 3.0% to 5.0% and the principal maturity dates range from 5 years to 30 years. The outstanding balances at June 30, 2018 were \$4,692,389, \$2,091,629, and \$1,738,630 in the HOME Program, CDBG Program and NSP Program, respectively.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)

In July 2014, the City also entered into a loan agreement with Vallejo Housing Collaborative, LLC, in the amount of \$100,000 for the same project discussed in B. above. The loan was funded with HOME funds and is included in the balance of HOME Program loans receivable above. The loan bears simple interest of 3% and is repayable from residual receipts as defined in the agreement. The loan will be secured by up to twelve deeds of trust on the properties and unpaid principal and interest is due on or before the thirtieth anniversary of the promissory note.

In July 2016, the City entered into a loan agreement with Solano-Napa Habitat for Humanity in the amount of \$93,735. Solano-Napa Habitat for Humanity has drawn down \$93,735 of the loan for the acquisition of real property for development of owner-occupied affordable housing of a single family home located at 760 Tregaskis Avenue in Vallejo. This loan was funded with HOME Investment Partnerships Program Funds and is included in the balance of HOME Program loans receivable above. The loan bears simple interest of 0%, and principal payments are deferred. The loan is secured by a deed of trust on the property, and the entire loan is due and payable no later than July 1, 2021; however, the lender may, at its option, extend the note for an additional five year term(s) subject to continuing compliance with HOME Program requirements.

In February 2017, the City entered into a loan agreement with Heart and Hands of Compassion, Inc. in the amount of \$436,830. As of June 30, 2017, Heart and Hands of Compassion, Inc. had drawn down \$401,384 of the loan for the acquisition and rehabilitation of a foreclosed single family home located at 109 David Court in Vallejo. This loan was funded with HOME Investment Partnerships Program funds and is included in the balance of HOME Program loans receivable above. The loan bears simple interest of 0%, and principal payments are deferred. The loan is secured by a deed of trust on the property, and the entire loan is due and payable no later than February 27, 2022, or upon resale of the property to a qualified first time home buyer, whichever is sooner. The remaining balance of the loan of \$401,384 was repaid during fiscal year 2018.

D. *Sereno Village Apartments*

In May 2003, the City entered into a \$1,400,000 loan agreement with Sereno Village Associates for the development of a 125 unit very low income rental housing project. The note bears 3% simple interest and will be due in full to the City in 15 years. The loan is secured by a deed of trust. To the extent there is excess cash flow from the project, the developer is required to repay all accrued interest and principal annually. At June 30, 2018 the outstanding balance of this loan, including accrued interest, was \$1,223,755 comprised of \$1,037,789 funded by the General Fund and \$185,966 funded by the Neighborhood Parks Capital Project Fund.

During fiscal 2002, the Vallejo Flood and Wastewater District loaned \$351,635 to Sereno Village Association. The loan is secured by deed of trust, bearing simple interest at 3% and it is due in 15 years. The outstanding balance at June 30, 2018 was \$253,509.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)

E. *Temple Art Loft Impact Fee Loan*

In December 2011, the City entered into a \$112,909 loan agreement with Temple Art Lofts Associates to pay certain impact fees, permit fees, and administrative fees for the 707-715 Marin Street Project. The loan bears zero interest and will be due and payable in full upon the 55th anniversary of the date of the loan which is December 15, 2011. The loan is recorded in the General Fund and the Transportation Impact Mitigation Fund.

F. *Trailer City Water Loan*

In April 2004, the City entered into a \$68,080 loan agreement with Trailer City Sales Company for the construction of improvements allowing Trailer City Sales Company to be connected to the City's water system. The loan also provides assistance for payments of water connection and facilities fees. The note bears zero interest and will be due in full to the City in 20 years. The loan is secured by a deed of trust. At June 30, 2018 the outstanding balance of this loan was \$18,535. This loan is recorded in the City's Water Enterprise Fund.

G. *American Canyon Loan*

In fiscal year 2017, the City of American Canyon exercised an option to purchase additional water capacity rights from the City of Vallejo. The option price was \$2,832,157 for an additional maximum daily capacity of 0.9 million gallons of water per day. The loan was recorded in the City's Water Enterprise Fund. In fiscal year 2018, the loan was written off as the City of American Canyon rescinded its decision to exercise the option to purchase the additional water capacity rights, which is shown as a Special Item in the Water Enterprise Fund.

H. *Golf Cart Storage*

During fiscal year 2007, the City loaned \$350,000 to Vallejo Golf Club, Inc. for the construction of a golf cart storage building. During fiscal year 2011, the City established an allowance for collectability equal to the total amount owed of \$180,843. At June 30, 2018, the outstanding balance of this loan and the offsetting allowance were \$180,843.

I. *Long-Term Loans – Former Redevelopment Agency*

From 2003 to 2006, the City had advanced \$4,296,000 to the Vallejo Central Debt Service Fund which the Agency, in turn, loaned to Empress Investment Fund, LLC, for the purpose of theater improvements, and in fiscal year 2003, the City advanced \$500,000 to the Marina Vista Debt Service Fund for the Georgia Street extension project. Repayment of these loans was contingent upon the Successor Agency receiving a Finding of Completion, as defined in Health and Safety Code Section 34179.6. After the Successor Agency receives a Finding of Completion, under the provisions of Health and Safety Code Section 34191.4(b)(2)(A), the loans can be repaid by the Successor Agency. However, the Successor Agency must apply for approval of the loans by the Oversight Board including a finding that the loans were for legitimate redevelopment purposes.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)

On February 12, 2015 the Oversight Board to the Successor Agency of the former Vallejo Redevelopment Agency approved these pre-dissolution loans between the City and the former Vallejo Redevelopment Agency as enforceable obligations. The DOF approved these loans as enforceable obligations in March 2015.

During the early years of the Agency (pre-1990), the City advanced start-up funds to the Agency. As of January 31, 2012, the date of dissolution of the former Redevelopment Agency, the balance of these advances, including accrued interest at that date totaled \$9,042,032. On February 12, 2015, the Oversight Board also approved these pre-1990 loans between the City and the former Vallejo Redevelopment Agency as enforceable obligations, but the DOF overturned the approval. However, a change in Health and Safety Code Section 34191.4 during fiscal year 2016 provided for the reestablishment of these prior loans as enforceable obligations so long as they were approved by the Oversight Board. On January 28, 2016, the Oversight Board passed resolution OB 16-002 to reaffirm its approval of the Pre-1990 loans. Therefore, the City reversed the prior allowance for doubtful accounts and recorded the loans as of July 1, 2015 in the amount of \$3,319,614, including accrued interest.

On November 30, 2016, the DOF denied the Pre-1990 loans on the Agency’s Last and Final Recognized Obligation Payment Schedule (ROPS) submission. The Agency included the Pre-1990 loans from Oversight Board Resolution 16-002 as a new, separate line on the upcoming Fiscal Year 2017-2018 annual ROPS to demonstrate the Agency’s intent to repay this obligation. The DOF denied the Pre-1990 loans as enforceable obligations again on the Fiscal Year 2017-2018 annual ROPS. The City contests the denial, but has not yet determined what action it may take, if any, therefore, the City reports these loans to their full value of \$3,268,019, with an offsetting allowance as of June 30, 2018.

The loan balances as of June 30, 2018 are as follows:

	Principal	Accrued Interest	Total
Hiddenbrooke Overpass Capital Projects Fund	\$427,590	\$168,909	\$596,499
Bridge Construction Capital Projects Fund	397,356	208,978	606,334
Arts and Convention Center Capital Projects Fund	3,230,292	1,535,570	4,765,862
General Fund:			
Waterfront	162,805	860,611	1,023,416
Marina Vista		647,510	647,510
Central	708,372	888,721	1,597,093
Less Allowance for Doubtful Accounts	(871,177)	(2,396,842)	(3,268,019)
	<u>\$4,055,238</u>	<u>\$1,913,457</u>	<u>\$5,968,695</u>

The loans bear simple interest of 3%. Repayment of these loans is governed by Health and Safety Code Section 34176(e)(6) and the maximum annual repayment is limited based on calculations in that Code Section. Initial repayment installments were approved by the State Department of Finance for fiscal years 2018, 2017 and 2016.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)

J. *Investment in Empress Theater Project through the Empress Investment Fund, LLC*

In September 2016, the Successor Agency and the Oversight Board approved the transfer of the Successor Agency's interests in the Empress Theater to the City with the long term objective of preserving this historic property for the community. The Oversight Board action was approved by the State DOF in January 2017. Through this action, the City acquired a loan receivable from Empress Theater Associates that was previously held by the Successor Agency.

The City holds its Empress Theater loan receivable through its 100% ownership interest in the Empress Investment Fund, LLC (EIF), a limited liability corporation formed in 2007 to leverage New Market Tax Credits as a source of additional private investment in the historic Empress Theater (Theater). After seven years, in October 2014, the tax credit program matured and the private investor exercised its put option which transferred ownership of the EIF to the Successor Agency. In 2017, ownership of the EIF was transferred by the Successor Agency to the City.

The Empress Theater property is owned, leased, and operated through a series of limited liability corporations. Through the EIF, the City holds 100% ownership of the Empress Theater Master Tenant, LLC (ETMT), which in turn holds a 49% ownership position in Empress Theater Associates, LLC, (ETA). ETA holds title to the Empress Theater property.

As of June 2018, the EIF holds loan receivable assets, including accumulated interest, of \$6,419,477, due from ETA, and carries a loan payable obligation, with accumulated interest payable, of \$47,754, due to Triad Communities LP, the site development partner. Cash flow from Theater development and operations have been pledged to ultimately settle these loans receivable and payable. The loan receivable carries an interest rate of 0.5%, with quarterly payments scheduled through 2047. The loan payable carries an interest rate of 1.15%, with quarterly payments also scheduled through 2047. However, current Theater cash flow does not support amortization of these obligations, and as such, the net assets of the EIF are reported net of an allowance for doubtful accounts of \$6,371,723, leaving a net loan receivable balance of \$47,754 in the accompanying financial statements. After deducting loans payable and accumulated interest payable, the net reported value of the City's interests in the Empress Theater is zero.

K. *VFWD Employee Computer Loans*

VFWD has a Computer Literacy program that allows employees to borrow, in an amount approved by the District Manager, to purchase personal computers. The principal balance amount, with the rate of interest equal to the rate of interest being earned by VFWD that shall not exceed 9%, is to be paid off within 36 months from the date of the loan.

L. *City Manager Housing Assistance*

As a part of the City Manager Employment Agreement approved by City Council on December 14, 2017, the City Manager is authorized to receive housing assistance from the City. Under the terms of the agreement, the City Manager receives a monthly allowance of \$1,500 for a primary residence in Vallejo. If the City Manager opts out of receiving housing assistance, he may receive a zero-interest loan of up to \$130,000. As of June 30, 2018, the City Manager has not drawn down on any loan funds.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. 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 half year convention 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, but only half of the full year depreciation is charged in the first year, while the other half is charged in the last year of depreciation or in the year the asset is sold or retired.

The City has assigned the useful lives and capitalization thresholds listed below to capital assets.

	Useful Lives	Capitalization Threshold
Land	N/A	Capitalize All
Easements	N/A	\$500,000
Land Improvements	25 to 60 years	\$50,000
Buildings and improvements	5 to 50 years	\$50,000
Machinery and equipment	5 to 25 years	\$5,000
Internally Developed Software	2 to 5 years	\$500,000
Purchased Software	2 to 5 years	\$50,000
Infrastructure:		
Traffic signals	5 to 25 years	\$50,000
Street lights	15 to 50 years	\$50,000
Bridges and culverts	15 to 60 years	\$50,000
Sidewalks, curbs and gutters	15 to 40 years	\$50,000
Streets and roads	15 to 40 years	\$50,000

Improvements to existing infrastructure assets in excess of \$50,000 are capitalized if: the estimated useful life of the existing asset has been extended by at least 25%; the capacity of the existing asset has been substantially improved; or the quality of the output of the existing asset has been substantially improved.

The VFWD capitalizes applicable assets greater than \$5,000 and the VFWD has assigned the useful lives listed below to capital assets:

Wastewater treatment plant and facilities	5 to 40 years
Wastewater and storm water pump stations	5 to 25 years
Wastewater collection and storm water transmissions systems	5 to 50 years
Buildings and improvements	5 to 40 years
Machinery and equipment	5 to 25 years

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

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

A. Government Capital Asset Activity

	Balance at June 30, 2017	Additions	Retirements	Transfers	Transfers to Successor Agency	Balance at June 30, 2018
<i>Governmental activities</i>						
Capital assets not being depreciated:						
Land	\$138,980,089	\$1,536,514			(\$8,738)	\$140,507,865
Construction in progress	7,278,509	3,187,250		(\$4,541,907)		5,923,852
Total capital assets not being depreciated	<u>146,258,598</u>	<u>4,723,764</u>		<u>(4,541,907)</u>	<u>(8,738)</u>	<u>146,431,717</u>
Capital assets being depreciated:						
Buildings and improvements	114,707,040			2,178,595		116,885,635
Machinery and equipment	36,518,497	2,615,974	(\$654,786)			38,479,685
Infrastructure	263,695,649			2,363,312		266,058,961
Total capital assets being depreciated	<u>414,921,186</u>	<u>2,615,974</u>	<u>(654,786)</u>	<u>4,541,907</u>		<u>421,424,281</u>
Less accumulated depreciation for:						
Buildings and improvements	(38,366,170)	(2,563,421)				(40,929,591)
Machinery and equipment	(26,108,344)	(2,279,066)	654,786			(27,732,624)
Infrastructure	(161,030,435)	(5,348,573)				(166,379,008)
Total accumulated depreciation	<u>(225,504,949)</u>	<u>(10,191,060)</u>	<u>654,786</u>			<u>(235,041,223)</u>
Net capital assets being depreciated	<u>189,416,237</u>	<u>(7,575,086)</u>		<u>4,541,907</u>		<u>186,383,058</u>
Governmental activity capital assets, net	<u>\$335,674,835</u>	<u>(\$2,851,322)</u>			<u>(\$8,738)</u>	<u>\$332,814,775</u>

As discussed in Note 15B, pursuant to the Long Range Property Management Plan, the City transferred land totaling \$8,738 back to the Successor Agency during fiscal year 2018.

B. Business-Type Capital Asset Activity

	Balance at June 30, 2017	Additions	Transfers/ Adjustments	Balance at June 30, 2018
<i>Business-type activities</i>				
Capital assets, not being depreciated:				
Land	\$12,298,805			\$12,298,805
Construction in progress	5,157,016	\$5,449,329	(\$2,247,979)	8,358,366
Total capital assets not being depreciated	<u>17,455,821</u>	<u>5,449,329</u>	<u>(2,247,979)</u>	<u>20,657,171</u>
Capital assets, being depreciated:				
Buildings and improvements	93,854,261			93,854,261
Machinery and equipment	17,010,163	398,958	746,448	18,155,569
Infrastructure	153,952,118	143,001	1,332,851	155,427,970
Total capital assets being depreciated	<u>264,816,542</u>	<u>541,959</u>	<u>2,079,299</u>	<u>267,437,800</u>
Less accumulated depreciation for:				
Buildings and improvements	(60,183,644)	(1,964,374)		(62,148,018)
Machinery and equipment	(9,841,044)	(733,656)		(10,574,700)
Infrastructure	(103,380,930)	(3,188,186)		(106,569,116)
Total accumulated depreciation	<u>(173,405,618)</u>	<u>(5,886,216)</u>		<u>(179,291,834)</u>
Net capital assets being depreciated	<u>91,410,924</u>	<u>(5,344,257)</u>	<u>2,079,299</u>	<u>88,145,966</u>
Business-type activity capital assets, net	<u>\$108,866,745</u>	<u>\$105,072</u>	<u>(\$168,680)</u>	<u>\$108,803,137</u>

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

C. Vallejo Flood and Wastewater District Capital Asset Activity

	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets, not being depreciated:					
Land and Land improvements	\$2,810,716				\$2,810,716
Construction in progress	15,462,787	\$3,143,212	(\$1,428,970)	(\$5,679,641)	11,497,388
Total capital assets not being depreciated	18,273,503	3,143,212	(1,428,970)	(5,679,641)	14,308,104
Capital assets, being depreciated:					
Buildings and improvements	3,651,829	7,587		192,245	3,851,661
Machinery and equipment	14,175,651	33,362	(92,550)	331,730	14,448,193
Infrastructure	332,761,595	85,795		5,155,666	338,003,056
Total capital assets being depreciated	350,589,075	126,744	(92,550)	5,679,641	356,302,910
Less accumulated depreciation for:					
Buildings and improvements	(2,243,177)	(99,910)	16,619		(2,326,468)
Machinery and equipment	(9,977,679)	(784,114)			(10,761,793)
Infrastructure	(166,095,114)	(7,468,456)	74,991		(173,488,579)
Total accumulated depreciation	(178,315,970)	(8,352,480)	91,610		(186,576,840)
Net capital assets being depreciated	172,273,105	(8,225,736)	(940)	5,679,641	169,726,070
Capital assets, net	\$190,546,608	(\$5,082,524)	(\$1,429,910)		\$184,034,174

D. Depreciation Allocation

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

Governmental Activities

Executive	\$14,411
Finance	4,244
Community development	236,589
Fire services	131,674
Police services	553,546
Public works	7,875,262
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,375,334
	<u>\$10,191,060</u>

Business-Type Activities

Water	\$5,309,348
Marina	54,986
Golf	518,406
Parking	1,688
Fiber Optic	1,788
	<u>\$5,886,216</u>

VFWD:

Vallejo Flood and Wastewater District	<u>\$8,352,480</u>
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CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

E. Seawall Impairment

Included in buildings and improvements in the business-type activities is the Marina’s seawall, with a net book value of \$590,550 at June 30, 2018, that was damaged during the winter storms in fiscal year 2018. The extent of the damage and potential cost to repair the seawall has not yet been assessed and no provision for impairment has been recorded in the financial statements.

NOTE 6 - LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source gross of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred. Any differences between proprietary refunded debt and the debt issued to refund it is recorded as Deferred Outflows/Inflows of Resources and amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

A. Current Year Transactions and Balances

The City’s long-term debt issues and transactions were as follows:

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Governmental Activity Debt:						
Certificates of Participation:						
1999 COPs (Restructured, see Note 6C)	\$4,815,000	\$3,046,517		\$165,000	\$2,881,517	\$175,000
Other Obligation:						
1999 COPs Shortfall Indebtedness (Restructured, see Note 6C)	75,860	187,434	\$8,914	40,194	156,154	
Total Certificates of Participation	4,890,860	3,233,951	8,914	205,194	3,037,671	175,000
UBOC Reimbursement Obligations:						
UBOC Tranche A - General Fund	7,813,780	5,104,997		682,313	4,422,684	699,370
UBOC Tranche B - General Fund	9,155,270	8,298,425	134,850		8,433,275	
Total Loans & Notes Payable	16,969,050	13,403,422	134,850	682,313	12,855,959	699,370
Capital Lease Obligation:						
2001 Site & Facility Lease (Restructured, see Note 6G)	710,248	405,856		101,464	304,392	101,464
Other Obligation:						
Loans payable to Triad Communities LP	42,500	42,500			42,500	
Total Governmental Activity Debt	\$22,612,658	\$17,085,729	\$143,764	\$988,971	\$16,240,522	\$975,834

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 - LONG-TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Business-type Activity Debt:						
Revenue Bonds:						
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	\$45,790,000	\$27,110,000		\$2,440,000	\$24,670,000	\$2,560,000
Plus: Unamortized bond premium		842,751		93,640	749,111	
2013 Water Revenue Refunding Bonds, 5.25%, due 5/1/31	18,080,000	18,080,000			18,080,000	
Plus: Unamortized bond premium		704,907		50,350	654,557	
Total Revenue Bonds	63,870,000	46,737,658		2,583,990	44,153,668	2,560,000
UBOC Reimbursement Obligations						
UBOC tranche A- Golf Course	4,269,641	2,366,330		295,508	2,070,822	302,896
UBOC tranche A- Marina	7,916,579	4,358,568		578,300	3,780,268	566,518
UBOC tranche B - Golf Course	5,359,564	4,787,686	\$77,800		4,865,486	
UBOC tranche B- Marina	10,368,842	9,340,527	139,894	847	9,479,574	27,100
Other Loans & Notes Payable:						
State Safe Drinking Water 0%, due 1/1/25	68,080	25,532		3,405	22,127	3,404
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	1,351,129		389,947	961,182	399,047
Total Loans & Notes Payable	34,657,706	22,229,772	217,694	1,268,007	21,179,459	1,298,965
Total Business-type Activity Debt	\$98,527,706	\$68,967,430	\$217,694	\$3,851,997	\$65,333,127	\$3,858,965
VFWD:						
Revenue Bonds:						
2014 Revenue Bonds 4.0-5.0%, due 5/1/36	\$34,294,966	\$31,001,112	\$1,093,953	\$29,907,159	\$925,000	
2011 Revenue Bonds 2-5%, due 5/1/25	3,345,000	2,156,364	232,727	1,923,637	240,000	
Total Revenue Bonds	37,639,966	33,157,476	1,326,680	31,830,796	1,165,000	
Certificates of Participation:						
1993 Sanitation and Flood Control 5.0 - 5.04%, due 7/1/19	38,905,000	7,409,312	2,324,656	5,084,656	2,515,000	
Total Certificates of Participation	38,905,000	7,409,312	2,324,656	5,084,656	2,515,000	
Other Loans & Notes Payable:						
State Clean Water (2004) 2.5%, due 2023	13,798,201	4,996,264	782,165	4,214,099	801,719	
State Clean Water (2008) 2.4%, due 2025	4,406,072	2,285,895	262,588	2,023,307	268,890	
Total Loans & Notes Payable	18,204,273	7,282,159	1,044,753	6,237,406	1,070,609	
Total VFWD Debt	\$94,749,239	\$47,848,947	\$4,696,089	\$43,152,858	\$4,750,609	

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 - LONG-TERM DEBT (Continued)

B. Debt Service Requirements

Annual debt service requirements to maturity are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-type Activities		VFWD	
	Principal (A)	Interest	Principal (B)	Interest	Principal	Interest
2019	\$975,834	\$252,917	\$3,858,965	\$2,360,853	\$4,750,609	\$1,760,661
2020	959,789	271,761	4,174,230	2,211,418	4,957,106	1,546,316
2021	980,327	245,602	3,814,820	2,033,451	2,404,258	1,460,663
2022	905,036	219,190	3,978,111	1,866,661	2,492,083	1,371,115
2023	931,597	191,868	4,151,979	1,692,292	2,580,596	1,275,602
2024-2028	4,266,556	861,918	21,348,710	6,622,042	7,747,754	5,104,026
2029-2033	4,491,105	513,717	15,785,642	2,099,644	8,405,000	3,149,854
2034-2038	3,438,071	122,475	4,759,167	514,167	6,230,000	697,676
2039-2043	7,783	1,198	3,440,334	125,295		
2044-2048	6,418	149				
Total	16,962,516	\$2,680,795	65,311,958	\$19,525,823	39,567,406	\$16,365,913
Plus: Unamortized bond premium (discount)			1,403,668		3,585,452	
Net long-term debt	\$16,962,516		\$66,715,626		\$43,152,858	

(A) Includes accreted interest on the UBOC Reimbursement Obligations - Tranche B for \$721,994

(B) Includes accreted interest on the UBOC Reimbursement Obligations - Tranche B for \$1,382,499

C. Certificates of Participation (COPs)

1999 COPs – In July 1999, the City issued \$4,815,000 of Certificates of Participation (1999 Capital Improvements Project) to finance City capital improvements. Principal payments are payable annually on July 15. Interest payments are due semiannually on January 15 and July 15.

Due to the failure of the City to pay the scheduled amounts due under the original agreement, on January 25, 2011, the City, National Public Finance Guarantee Corporation (National) and the Controller for the State of California (the “Controller”) entered into a Settlement Agreement (the Settlement Agreement).

Commencing July 1, 2013, the City was to pay the Trustee the full scheduled amount when due and commencing on January 15, 2014, to pay National, on January 15 and July 15 of each year, an amount equal to 100% of all MVLF to which the City would be entitled under the California Revenue and Taxation Code during the previous six months, minus the amount paid to the Trustee for the same period, provided that the MVLF exceed the total amounts due for that period. The City’s obligation to pay amounts is not dependent on its receipt of MVLF in any amount.

The MVLF catch-up payment is to be applied to the shortfall indebtedness until paid in full. To the extent that the shortfall indebtedness is not paid in full by the last scheduled payment under the Lease Agreement, the City is to pay the remaining balance of the shortfall indebtedness to National no later than January 15, 2030. During the year ended June 30, 2018, the City paid \$40,194 to reduce the shortfall principal balance and accrued interest of \$8,914 was added to the principal balance.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 - LONG-TERM DEBT (Continued)

1993 Sanitation and Flood Control District (VFWD) – In July 1993, the VFWD Financing Corporation issued \$38,905,000 of certificates of participation, the net proceeds of which were used to finance the construction of sewage collection and treatment and flood control facilities and to defease VFWD's 1988 COP's. Certificates maturing on or before July 2008 were not callable prior to maturity. Certificates maturing on or after July 2009 are callable at VFWD's option on any interest date. Annual principal payments are due July 1.

D. UBOC Reimbursement Obligations

On August 2, 2011, Union Bank and the City reached a restructuring agreement regarding series 2000, 2001, 2002, and 2003 Certificates of Participation (COPs) which amended and replaced the COPs as follows:

There are two tranches: the "A" obligation and the "B" obligation. The starting principal balance of the "A" obligation is \$18,049,887 and the "B" obligation has a starting principal of \$21,367,933. No interest accrued on either the "A" or the "B" obligation from the effective date of November 1, 2011, through December 31, 2014, and interest commenced accrual on both obligations on January 1, 2015. The "A" obligation has a fixed annual interest rate of 2.5% and the "B" obligation has a fixed annual interest rate of 1.625%. Interest is payable annually on the first business day of each calendar year, in a single annual payment, in advance. Interest payments on the obligations commence in the calendar years 2015 and 2018 for obligations "A" and "B", respectively, and continuing, in each case, until the principal balance of that obligation has been paid in full.

Principal is payable annually on the first business day of each calendar year, in a single annual payment, commencing with the 2012 calendar year for the "A" obligation and 2025 for the "B" obligation. The outstanding principal balance, all accrued but unpaid interest, and all other amounts due under the New Union Bank Reimbursement Agreement Payment Agreement with respect to the "A" obligation is due and payable on January 1, 2026; and the "B" obligation is due and payable on January 1, 2042.

E. Revenue Bonds

2006 Water Revenue Refunding Bonds – In July 2006 the City issued \$45,790,000 in Water Revenue Refunding Bonds to current refund \$45,755,000 of outstanding 1996 Series A Refunding Revenue Bonds and advance refund \$525,000 of outstanding 1999 Series A Parity refunding Revenue Bonds. The defeased 1996 bonds were called on May 1, 2009. Interest is payable on May 1 and November 1. Annual principal payments are due on May 1. The debt is secured and serviced by water system operations.

The pledge of future net revenues ends upon repayment of the \$30,535,000 in remaining debt service on the bonds which is scheduled to occur in 2026. Under the terms of the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

Bond Insurer Rating Downgrade - On December 1, 2017, Standard and Poor's announced that it affirmed its rating on the bond insurer National Public Finance Guarantee Corporation (NPFGC) at "A," but that its withdrawing its rating on NPFGC as it relates to issuers. As a result, certain of the City's bonds insured by NPFGC will be rated at the "underlying" rating, not the insurer rating.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 - LONG-TERM DEBT (Continued)

2013 Water Revenue Refunding Bonds – In October 2013 the City issued \$18,080,000 in Water Revenue Refunding Bonds to refund the outstanding 2001 Water Revenue Bonds. The refunding increased total debt service by \$7,485,213, resulting in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$4,109,109, due to the conversion of the interest rate on the bonds from a variable rate to a fixed rate. The defeased 2001 Water Revenue Bonds were called on November 26, 2013.

The Series 2013 Bonds and the interest thereon are payable solely from a first lien on and pledge of the Net Revenues (the amount of the gross revenues less operating expenses) derived by the City from the operation of the City's water system, on parity with the 2006 Water Revenue Bonds and the State Safe Drinking Water loans. Interest is payable on May 1 and November 1. Annual principal payments are due on May 1. The debt is secured and serviced by water system operations.

The pledge of future net revenues ends upon repayment of the \$28,618,063 in remaining debt service on the bonds and loans which is scheduled to occur in 2031. Under the terms of the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

For fiscal year 2018, operating revenues, investment income, and capital grants and contributions amount to \$41,027,396 and operating costs including operating expenses, but not interest, amounted to \$29,860,024. Net Revenues available for debt service amounts to \$11,167,372 which represents coverage of 2.16 over the \$5,167,149 in combined debt service for the 2006 and 2013 Water Revenue Bonds and State Safe Drinking Water loans debt service.

2011 Revenue Bonds - the VFWD and the WaterReuse Finance Authority issued 2011 Revenue Bonds in a current refunding (1) to prepay the outstanding principal of 2001 Certificates of Participation, (2) to fund a reserve fund for the Bonds, and (3) to pay certain costs of issuing the Bonds. The transaction paid scheduled principal due on the 2001 Certificates in the amount of \$145,000 and redeemed the remaining principal amounting to \$3,315,000 pursuant to notice and exercise of optional prepayment of the Certificates for a total of \$3,460,000. The transaction resulted in a deferred amount on refunding of \$53,447, a decrease in total cash flows of \$262,952. The deferred amount on refunding is carried as a deferred outflow of resources, and the premium is carried as a net reduction to the 2011 Revenue Bonds. The deferred outflow of resources and the premium are to be amortized on a straight-line basis over the life of the Bonds as components of interest expense. The 2011 Bonds are fully registered with principal due annually on May 1, and interest payable semi-annually on May 1 and November 1. The Bonds maturing on or after May 1, 2025 are subject to optional redemption on any date on or after May 1, 2024, together with accrued interest to the redemption date, without a premium.

2014 Revenue Bonds - the VFWD and the WaterReuse Finance Authority issued 2014 Revenue Bonds in the principal amount of \$29,825,000 at premium of \$4,469,967 in an advance refunding (1) to prepay the outstanding principal of 2006 Certificates of Participation, (2) to fund a reserve fund for the Bonds, and (3) to pay certain costs of issuing the Bonds. The Bonds are fully registered with principal due annually on May 1, and interest payable semi-annually on May 1 and November 1. The Bonds maturing on or after May 1, 2022 are subject to optional redemption on any date on or after May 1, 2021, together with accrued interest to the redemption date, without a premium.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 - LONG-TERM DEBT (Continued)

The transaction resulted in a deferred amount on refunding of \$1,282,720, a decrease in total cash flows of \$2,024,106, and an economic gain of \$323,440. The deferred amount on refunding is carried as a deferred outflow of resources, and the premium is carried as a net reduction to the 2014 Revenue Bonds. The deferred amount on refunding and the premium are amortized on a straight-line basis over the life of the Bonds as components of interest expense.

F. Other Notes and Loans Payable

Vallejo Flood and Wastewater State Clean Water (2004) - In August 2004 the VFWD entered into a loan agreement with the Division of Financial Assistance of the State Water Resources Control Board under the Clean Water State Revolving Fund loan program in the amount of \$13,798,201. Payments in the amount of \$907,072 with interest at 2.5% commencing May 1, 2005 and are due annually thereafter until maturity in 2023.

Vallejo Flood and Wastewater State Clean Water (2008) – During the fiscal year ended June 30, 2008, the District completed a second loan agreement with the State Water Resources Control Board's Division of Financial Assistance. The loan is dated January 24, 2008, and is in the principal amount of \$4,406,072. Payments in the amount of \$317,450 with interest at 2.4% commence January 24, 2009, and are due annually thereafter until maturity in 2025.

State Safe Drinking Water, Water Fund – The loan, with original amount of \$68,080, from the State of California, Department of Water Resources was used to finance construction of a project which enables the City to meet safe drinking water standards. The interest rate is 0%. Semiannual principal and interest payments are due on July 1 and January 2, through 2025.

State Safe Drinking Water, Water Fund – The loan, with original amount of \$6,675,000, from the State of California, Department of Water Resources was used to partially refund the 1999 Water Parity Refunding Revenue Bonds. The interest rate is 2.32%. Semiannual principal and interest payments are due on July 1 and January 2, through 2021. The defeased 1999 Bonds were called on May 1, 2009.

HUD Section 108 Loan – On July 11, 2017, the City Council approved a loan agreement with the U.S. Department of Housing and Urban Development (HUD) for the demolition of vacant buildings on North Mare Island in an amount not to exceed \$4.7 million. The planned source of repayment will be Measure V funds and proceeds from the sale of the North Mare Island property. The terms of the agreement between HUD and the City are in the process of being finalized. As of June 30, 2018, the City has not drawn down on the funds and expects to start drawing down in December 2018.

G. Capital Lease Obligations

2001 Site & Facility Lease – The City entered into a long-term contract for the lease of the John F. Kennedy Library, part of the Vallejo Public Library System, and certain parcels of real property within the City which cost \$1,385,248.

As part of its Plan for the Adjustment of Debts confirmed in August 2011, on December 28, 2011, a Notice of Subordination replaced the original payment schedule of the lease. Under the new schedule, commencing on December 1, 2014, payments of \$50,732 are payable semi-annually on December 1 and June 1.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – DEBT WITHOUT CITY COMMITMENT

Assessment and Improvement Districts

Special Assessment and Improvement Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability for the payment of this debt. Therefore, this debt is not reported as long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2018 is as follows:

<i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	\$11,475,000
Northeast Improvement District 2003-1	<u>5,185,000</u>
Total	<u><u>\$16,660,000</u></u>

NOTE 8 – CONDUIT DEBT

The following bonds do not constitute or create a debt or pledge of the general credit or taxing power of the City, and, accordingly, are not reported as long-term debt of the City.

Mortgage Revenue Bonds

Fountain Plaza – Variable Rate Demand Multifamily Mortgage Revenue Refunding Bonds, Series 1992A (Fountain Plaza Hills Apartments) in the amount of \$5,585,000. The bonds bear interest at a variable rate determined weekly by a remarketing agent, and mature in May 2022. The bonds are dated May 1992, and were issued to refund an \$8,775,000 prior issuance of multifamily housing revenue bonds. As of June 30, 2018, \$5,585,000 of these bonds remained outstanding.

Solano Vista II – Multifamily Housing Revenue Bonds, Series 2001A (Solano Vista II Senior Apartments) in the amount of \$10,600,000. The bonds bear interest at the rate of 5.45%. Interest payments are due semiannually through November 1, 2034. The bonds are dated August 1, 2001, and were issued to provide funding for a mortgage loan for the acquisition and construction of a multifamily housing project. On June 30, 2018, \$8,060,000 of these bonds remained outstanding.

Marina Vista I and II, Marina Heights – Multifamily Housing Revenue Bonds, Series 1998A and 1998B (GNMA Mortgage Backed Securities Program) in the amount of \$11,520,000. The bonds bear interest at rates ranging from 3.6% to 8.25%. The bonds are dated October 1, 1998, and were issued to provide financing for the acquisition and rehabilitation of three multifamily housing projects known as Marina Vista I, Marina Vista II, and Marina Heights. As of June 30, 2018, \$9,435,000 of these bonds remained outstanding.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – EMPLOYEE BENEFITS PAYABLE

Employee Benefits Payable reported in the Statement of Net Position includes compensated absences as discussed below.

Compensated absences consist of vested vacation leave, sick leave and compensatory time off. For governmental activities, the portion reported as a liability in the Internal Service Funds, primarily represents balances due within 60 days of year end. The remaining governmental activities portion is reported on the Statement of Net Position. The long-term portion of governmental activities employee benefits payable is liquidated primarily by the General Fund. For proprietary activities, which are reported on the accrual basis at the fund level, all earned but unpaid benefits are recorded as an expense and liability of the fund in which it is earned.

Compensated absences have been recorded at the contractual salary rates due to employees at June 30, 2018.

Compensated absences activity for the City and VFWD for the year ended June 30, 2018 is as follows:

	Governmental Activities	Business-Type Activities	Total	VFWD
Compensated Absences Activity:				
Beginning Balance	\$11,253,843	\$1,227,774	\$12,481,617	\$1,395,551
Additions	7,810,922	1,138,847	8,949,769	623,901
Deletions	(7,886,697)	(1,122,606)	(9,009,303)	(616,260)
Ending Balance	<u>\$11,178,068</u>	<u>\$1,244,015</u>	<u>\$12,422,083</u>	<u>\$1,403,192</u>
Compensated Absences Classification Presentation:				
Current Portion:				
Internal Service Funds - City	\$80,868		\$80,868	
Entity-wide	7,009,087	\$1,114,855	8,123,942	
Vallejo Flood and Wastewater District				\$491,117
Current Portion	<u>7,089,955</u>	<u>1,114,855</u>	<u>8,204,810</u>	<u>491,117</u>
Noncurrent Portion:				
Entity-wide	4,088,113	129,160	4,217,273	
Vallejo Flood and Wastewater District				912,075
Noncurrent Portion	<u>4,088,113</u>	<u>129,160</u>	<u>4,217,273</u>	<u>912,075</u>
Total	<u>\$11,178,068</u>	<u>\$1,244,015</u>	<u>\$12,422,083</u>	<u>\$1,403,192</u>
Noncurrent Employee Benefits Payable:				
Compensated Absences	\$4,088,113	\$129,160	\$4,217,273	\$912,075
Other Employee Benefits (1.5% RHSAs contribution set aside by City)	197,714		197,714	
Noncurrent Portion	<u>\$4,285,827</u>	<u>\$129,160</u>	<u>\$4,414,987</u>	<u>\$912,075</u>

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS

A. General Information about the City's Pension Plans

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

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

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

	Miscellaneous	
	Classic Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.70%	1.0% - 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	10.645%	10.645%
Required Unfunded Accrued Liability Contribution	\$5,657,436	

	Safety - Fire		
	Classic Tier I	Classic Tier II	PEPRA
	Prior to December 28, 2012	On or after December 28, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% - 2.7%	2.0% - 2.7%
Required employee contribution rates	9.00%	9.00%	11.50%
Required employer contribution rates	19.716%	19.716%	19.716%
Required Unfunded Accrued Liability Contribution	\$9,590,677		

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

	Safety - Police	
	Classic Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% - 2.7%
Required employee contribution rates	9.00%	11.50%
Required employer contribution rates	19.716%	19.716%
Required Unfunded Accrued Liability Contribution	Included in Fire table above	

Beginning in fiscal year 2016, CalPERS collects employer contributions for each 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 either billed on a monthly basis or can be paid in full using the annual UAL prepayment option. In July 2017, the City paid its required contributions for the unfunded liability in the Miscellaneous and Safety Plans in the amount of \$5,657,436 and \$9,590,677, respectively.

Employees Covered – At the June 30, 2016 actuarial valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous		
	Classic Tier I	Classic Tier II	PEPRA Plan
	Inactive employees or beneficiaries currently receiving benefits	540	-
Inactive employees <i>eligible</i> to, but not yet receiving, benefits	145	-	2
Inactive employees <i>ineligible</i> to, but not yet receiving, benefits	61	-	29
Active employees	175	-	120
Total	921	-	151

	Safety		
	Classic Tier I	Classic Tier II	PEPRA Plan
	Inactive employees or beneficiaries currently receiving benefits	374	-
Inactive employees <i>eligible</i> to, but not yet receiving, benefits	40	1	1
Inactive employees <i>ineligible</i> to, but not yet receiving, benefits	9	-	8
Active employees	140	2	48
Total	563	3	57

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law 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 both 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 costs 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.

B. Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability and related deferred outflows/inflows of resources are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities net pension liability is liquidated primarily by the General Fund.

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

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.2% - 12.2% (2)	3.4% - 20% (2)
Investment Rate of Return	7.5% (3)	7.5% (3)
Mortality	Derived using CalPers Membership Data for all Funds (4)	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

- (1) Actuarial assumptions are the same for all benefit tiers (Classic Tier I, Classic Tier II and PEPRA)
- (2) Depending on age, service and type of employment
- (3) Net of pension plan investment expenses, includes inflation
- (4) The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS' website under the GASB 68 section.

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.

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

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

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

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

C. Changes in the Net Pension Liability

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

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$260,497,411	\$158,492,148	\$102,005,263
Changes in the year:			
Service cost	4,404,558		4,404,558
Interest on the total pension liability	19,104,676		19,104,676
Changes in Assumption	14,463,351		14,463,351
Differences between actual and expected experience	(2,220,738)		(2,220,738)
Contribution - employer		7,619,965	(7,619,965)
Contribution - employee		1,922,977	(1,922,977)
Net investment income		17,221,783	(17,221,783)
Administrative expenses		(230,440)	230,440
Benefit payments, including refunds of employee contributions	(15,488,076)	(15,488,076)	
Net changes	<u>20,263,771</u>	<u>11,046,209</u>	<u>9,217,562</u>
Balance at June 30, 2017	<u>\$280,761,182</u>	<u>\$169,538,357</u>	<u>\$111,222,825</u>

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$450,582,749	\$275,248,296	\$175,334,453
Changes in the year:			
Service cost	7,141,768		7,141,768
Interest on the total pension liability	32,842,161		32,842,161
Changes of Assumptions	26,697,946		26,697,946
Differences between actual and expected experience	(8,355,331)		(8,355,331)
Contribution - employer		12,539,589	(12,539,589)
Contribution - employee		2,468,689	(2,468,689)
Net investment income		29,790,194	(29,790,194)
Administrative expenses		(400,264)	400,264
Benefit payments, including refunds of employee contributions	(26,330,644)	(26,330,644)	
Net changes	<u>31,995,900</u>	<u>18,067,564</u>	<u>13,928,336</u>
Balance at June 30, 2017	<u>\$482,578,649</u>	<u>\$293,315,860</u>	<u>\$189,262,789</u>
Total Balance at June 30, 2017 (Miscellaneous and Safety Plans)	<u>\$763,339,831</u>	<u>\$462,854,217</u>	<u>\$300,485,614</u>

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

	Miscellaneous	Safety	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$145,532,537	\$253,193,642	\$398,726,179
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$111,222,825	\$189,262,789	\$300,485,614
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$82,624,108	\$136,835,159	\$219,459,267

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

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of \$14,896,746 and \$21,674,149 for the Miscellaneous and Safety Plans, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$7,920,957	
Differences between actual and expected experience	226,439	(\$1,366,608)
Changes in assumptions	8,900,524	
Net differences between projected and actual earnings on plan investments	2,588,030	
Total	\$19,635,950	(\$1,366,608)

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$13,511,840	
Differences between actual and expected experience	66,190	(\$6,334,521)
Changes in assumptions	19,281,850	(1,089,044)
Net differences between projected and actual earnings on plan investments	4,704,239	
Total	\$37,564,119	(\$7,423,565)
Total Miscellaneous and Safety Plans	\$57,200,069	(\$8,790,173)

\$21,432,797 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization		
	Miscellaneous	Safety	Total
2019	\$4,917,264	\$3,901,530	\$8,818,794
2020	5,623,106	9,931,374	15,554,480
2021	1,044,549	4,921,356	5,965,905
2022	(1,236,534)	(2,125,546)	(3,362,080)
Total	\$10,348,385	\$16,628,714	\$26,977,099

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

E. Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$250,540 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

F. Vallejo Flood and Wastewater District Pension Plan

1. General Information about the District’s Pension Plan

Plan Descriptions – Eligible employees of the District are provided with pensions through the District’s Miscellaneous Plan, a cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The District’s Miscellaneous Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by CalPERS. PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The District sponsors two rate plans within the miscellaneous risk pool. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides 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 age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

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

	Miscellaneous	
	Classic Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8%	6.25%

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

Required Contributions – Section 20814(c) of the California Public Employees’ Retirement Law 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 the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the District’s contributions to the Plan were \$911,598.

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

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

As of June 30, 2018, the District reported its proportionate share of the net pension liability of the Plan of \$22,725,984.

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.56725%
Proportion - June 30, 2017	0.57650%
Change - Increase (Decrease)	0.00925%

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$2,027,784. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan - VFWD

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$911,598	
Differences between expected and actual experience	27,722	(\$397,170)
Changes in assumptions	3,439,658	(262,277)
Adjustment due to differences in proportions	4,985,106	
Net difference in actual contributions and proportion of contributions	777,909	
Net differences between projected and actual earnings on plan investments		(1,550,053)
Total	\$10,141,993	(\$2,209,500)

\$911,598 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Annual Amortization
2019	\$2,528,732
2020	3,264,870
2021	1,689,151
2022	(461,858)
Total	\$7,020,895

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.5% (2)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Mortality	Derived using CalPERS Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected 7.15% rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as expected pension fund cash flows. Based on the expected benefit payments of the Public Employees Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption was ideal in determining the level equivalent discount rate assumption. Using simulated rates of return, together with the CalPERS asset allocation mix, the median net return over the 19 years was calculated. The final geometric rate of return was set after removing 15 basis points over expected administrative expenses.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.0%		

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

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

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

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

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$34,064,079
Current Discount Rate	7.15%
Net Pension Liability	\$22,725,984
1% Increase	8.15%
Net Pension Liability	\$13,335,569

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

3. Temporary and Seasonal Employees

Federal law requires that employees not covered by an employer retirement system be covered by Social Security or an alternative plan. The District hires temporary employees whose positions are exempt from PERS membership, and utilizes Social Security for these positions.

**CITY OF VALLEJO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2018**

NOTE 11 – POST-EMPLOYMENT BENEFITS

A. Post Retirement Health Benefits - City

1. Plan Description

The City's Post Employment Benefit Plan is an Agent Multiple-Employer Plan. Employees and their dependents are eligible for the CalPERS post-retirement health benefits if they retire directly from the City retaining the Public Employees Medical and Hospital Care Act (PEMHCA) health benefits. The City pays the retiree and eligible dependent premiums up to benefit level established in the collective bargaining agreement for each employee organization.

The following is a summary of benefits by employee group as of June 30, 2018:

<u>Employee Group</u>	<u>Contractual Benefit at June 30, 2018</u>
Vallejo Police Officers Association (VPOA) (imposed)	Retired prior to 7/1/2000 - up to 75% of Kaiser Bay Area non-Medicare Premium Retired on or after 7/1/2000 and hired before 1/1/2014 - up to \$300 per month, but not less than PEMHCA minimum Hired on or after 1/1/14 - PEMHCA minimum plus 1.5% of employee's base monthly salary Retiree Health Savings Account (RHSA) contribution
International Association of Fire Fighters (IAFF)	Retired prior to 7/1/2000 - up to 75% of Kaiser Bay Area non-Medicare Premium Retired on or after 7/1/2000 - up to \$300 per month, but not less than PEMHCA minimum
Council and Unrepresented	Up to \$300 per month, but not less than PEMHCA minimum
Confidential, Administrative, Management, and Professional Employees Association (CAMP)	Hired before 7/1/2013 - up to \$300 per month, but not less than PEMHCA minimum (with the option of electing, no later than 7/1/2016, the RHSA benefit available to CAMP employees hired on or after 7/1/2013) Hired on or after 7/1/2013 - PEMHCA minimum plus 1.5% of employee's base monthly salary RHSA contribution
International Brotherhood of Electrical Workers (IBEW)	Hired before 7/1/2014 - up to \$300 per month, but not less than PEMHCA minimum (with the option of electing, no later than 10/31/2016, the RHSA benefit available to IBEW employees hired on or after 7/1/2014) Hired on or after 7/1/2014 - PEMHCA minimum plus 1.5% of employee's base monthly salary RHSA contribution

The PEMHCA minimum in 2018 is \$133 per month.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

2. Funding Policy

Through June 30, 2013 the City’s policy had been to fund these benefits on a pay-as-you go basis. But it was determined that it is in the best interest of the City and its retirees to set aside funds for OPEB in an irrevocable trust dedicated to paying the expenses of OPEB and to ensure that such funds are invested in a prudent manner. On December 10, 2013, City Council authorized and approved resolution 13-188 N.C. allowing the City to join the California Employers’ Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees’ Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

For the year ended June 30, 2018, the City’s contributions to the Plan were \$4,340,000.

3. General Information About City’s OPEB Plan

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2017:

Active employees	483
Inactive employees or beneficiaries currently receiving benefit payments	637
Inactive employees entitled to but not yet receiving benefit payments	145
Total	1,265

Actuarial Methods and Assumptions – The City’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

The actuarially determined contribution (ADC) was determined as part of a June 30, 2016 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.50% investment rate of return, (b) 2.75% general inflation rate, and (c) 7.50% (non-Medicare) and 6.50% (Medicare) in 2018, decreasing to an ultimate rate of 5.0% in 2028 medical trend. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The actuarial accrued liability (AAL) representing the present value of future benefits, is being amortized as a level percentage of projected payroll using a 30 year amortization period.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

The underlying mortality assumptions were based on the CalPERS 1997-2011 experience study and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a June 30, 2016 actuarial experience study for the period.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.0%	4.82%
Fixed Income	27.0%	1.47%
TIPS	5.0%	1.29%
Commodities	3.0%	0.84%
REITs	8.0%	3.76%
Assumed Long-term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return		6.50%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

5. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/16	\$44,063,000	\$13,034,000	\$31,029,000
Changes Recognized for the Measurement Period:			
Service Cost	965,000		965,000
Interest on the total OPEB liability	2,831,000		2,831,000
Contributions from the employer		6,468,000	(6,468,000)
Net investment income		1,479,000	(1,479,000)
Administrative expenses		(42,000)	42,000
Benefit payments	(2,957,000)	(2,957,000)	
Net changes	839,000	4,948,000	(4,109,000)
Balance at 6/30/17	\$44,902,000	\$17,982,000	\$26,920,000

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report that may be obtained from CERBT. The benefit payments and refunds include implied subsidy benefit payments in the amount of \$878,000.

6. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's 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:

Net OPEB Liability		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(5.50 %)	(6.50%)	(7.50%)
\$31,823,000	\$26,920,000	\$22,807,000

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability		
Healthcare Trend Rate		
1% Decrease	Current Trend	1% Increase
(6.50%-4.0%)	(7.50%-5.0%)	(8.50%-6.0-%)
\$23,772,000	\$26,920,000	\$31,213,000

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

7. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$2,789,000. At June 30, 2018, the City 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	\$4,340,000	
Net differences between projected and actual earnings on plan investments		(\$430,000)
Total	\$4,340,000	(\$430,000)

\$4,340,000 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$108,000)
2020	(108,000)
2021	(108,000)
2022	(106,000)

B. *Post Retirement Health Benefits - VFWD*

1. Plan Description

The District's defined benefit postemployment healthcare plan, Public Agency Post-Retirement Health Care Plan (the Plan), provides medical benefits to eligible retired employees and their beneficiaries. The Public Agency Retirement System (PARS) administers the Plan's Trust, an agent multiple-employer trust arrangement established to provide economies of scale and efficiency of administration to public agencies that hold assets used to fund OPEB obligations. Plan benefits were established in accordance with Board policy and Memorandums of Understanding for respective employee groups, and may be amended by the Board of Trustees. PARS provides an annual financial report for the aggregate Plan that may be obtained from PARS, 3961 MacArthur Boulevard, Suite 200, Newport Beach, CA 92660.

2. Funding Policy

The Plan is funded by employer contributions plus a retirement for employee matching in the amount of 2% of gross salary for all employees. As the plan's sponsor, the District establishes and may amend employee and employer contribution requirements.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

3. Benefits Provided

The following is a summary of Plan benefits by employee group as of June 30, 2018:

Eligibility	-Attained age 50 -Completed 5 years of District service -Retire concurrently from both District and CalPERS after leaving District employment
Benefit	The District will pay the retired employee's entire monthly medical premium which may include his/ her spouse and/ or dependents, up to the highest cost local HMO.
Hired prior to 11/1/2013	Kaiser Permanente - Bay Area premiums represent the highest cost local HMO
Hired on or after 11/1/2013	Follows State of California Vesting Schedule, employer pays: -10 years (PERS covered service) 50% -Each additional year, add 5% -20+ years 100%

Membership in the plan consisted of the following at the measurement date of June 30, 2018:

Active plan members	74
Inactive employees or beneficiaries currently receiving benefit payments	123
Inactive employees entitled to but not yet receiving benefit payments	80
	<u>277</u>

4. Net OPEB Liability

Actuarial Assumptions – The District’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2018 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2018 based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	January 1, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	2.75%
Investment Rate of Return	7.25%
Mortality Rate	Based on the CalPERS mortality tables for Public Agencies (Miscellaneous Employees)
Healthcare Trend Rate	6.50% initially, grading down to 4.5% ultimate

The underlying mortality assumptions were based on the CalPERS mortality tables for Public Agencies (Miscellaneous employees) and all other actuarial assumptions used in the January 1, 2018 valuation were based on the results of a June 30, 2018 actuarial experience study for the period June 30, 2018.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Weighted Allocation
Domestic equity	5.70%	48%
International funds	5.75%	13%
Fixed income - U.S.	2.75%	33%
Global Funds	4.25%	6%
Cash equivalents	0.80%	0%
Total Weighted Average Real Return	4.65%	100%
Plus inflation	2.75%	
Total return without adjustment	7.40%	
Risk adjustment	-0.15%	
Total Expected Return	7.25%	

Discount Rate - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at the current contribution rate (2% of pay) and that the District contributions will be made equal to \$500,000 per year in addition to the benefits paid. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

Changes in Net OPEB Liability - The changes in the net OPEB liability were as follows:

	Increase (Decrease)		
	Total OPEB	Plan Fiduciary	Net OPEB
	Liability	Net Position	Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at July 1, 2017	\$16,804,565	\$7,728,148	\$9,076,417
Changes Recognized for the Measurement Period:			
Service Cost	341,502		341,502
Interest on the total OPEB liability	1,209,603		1,209,603
Changes in benefit terms			
Differences between expected and actual experience	(6,230)		(6,230)
Changes of assumptions			
Contributions from the employer		1,440,234	(1,440,234)
Contribution from the employee		156,902	(156,902)
Net investment income		83,311	(83,311)
Administrative expenses		(3,094)	3,094
Benefit payments	(940,234)	(940,234)	
Net changes	604,641	737,119	(132,478)
Balance at June 30, 2018 (Measurement Date)	\$17,409,206	\$8,465,267	\$8,943,939

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the District, as well as what the District’s 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:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount	Discount Rate +1%
(6.25%)	Rate (7.25%)	(8.25%)
\$10,900,837	\$8,943,939	\$7,314,884

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Healthcare Cost	Discount Rate +1%
(5.50%-3.50%)	Trend Rate (6.50%-4.50%)	(7.50%-5.50%)
\$6,993,535	\$8,943,939	\$11,304,936

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$270,967. At June 30, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
Changes in actuarial assumptions		(\$5,192)
Net difference between projected and actual earnings on		
OPEB plan investments	\$398,252	
Total	\$398,252	(\$5,192)

OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s OPEB Plan and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by Public Agency Post-Retirement Health Care Plan (the Plan). For this purpose, benefit payments are recognized when currently due and payable in accordance with benefit terms.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Ended June 30	Annual Amortization
2019	\$98,525
2020	98,525
2021	98,525
2022	98,525
2023	(1,040)

NOTE 12 – NET POSITION AND FUND BALANCES

A. Net Position – Statement of Net Position

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, proprietary fund level, and fiduciary fund level and are described below:

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

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted to use.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

B. *Fund Balance – Governmental Funds Balance Sheet*

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by resolution of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council and may be changed at the discretion of the City Council. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2018, are below:

Fund Balance Classifications	General Fund	Housing Authority Fund	Mare Island Conversion Fund	Capital Outlay Fund	Non Major Governmental Funds	Total
Nonspendable:						
Items not in spendable form:						
Prepaid Expenses	\$8,126					\$8,126
Notes Receivable	801,042					801,042
Advance to other funds	830,000					830,000
Land Held for Redevelopment	499,684					499,684
Materials, Parts and Supplies	2,778				\$3,000	5,778
Subtotal	2,141,630				3,000	2,144,630
Amounts required to be maintained intact:						
Permanent funds					64,625	64,625
Total Nonspendable Fund Balances	2,141,630				67,625	2,209,255
Restricted for:						
Bond indentures					250,565	250,565
Streets and Highways					24,081,258	24,081,258
Community Development and Housing		\$15,440,586	\$2,761,128		1,617,833	19,819,547
Pension Benefits	1,968,128					1,968,128
Public Safety Programs	300,911				1,125,554	1,426,465
Public Facilities Projects				\$3,016,758	4,989,360	8,006,118
Hiddenbrooke Overpass					7,835,194	7,835,194
Total Restricted Fund Balances	2,269,039	15,440,586	2,761,128	3,016,758	39,899,764	63,387,275
Committed to:						
Mare Island Development					954,971	954,971
Public Facilities Projects (funded by General Fund)				14,133,410		14,133,410
Public Facilities Projects (funded by other funds)					1,688,953	1,688,953
General Plan Update, Permit Programs	6,810					6,810
Total Committed Fund Balances	6,810			14,133,410	2,643,924	16,784,144
Assigned to:						
Pension contribution reserves (unfunded)	500,000					500,000
Union Contracts	2,037,906					2,037,906
Compensated Absences	112,000					112,000
Arts and Convention Center					3,304,910	3,304,910
2014 Napa Earthquake costs					325,091	325,091
Atlas Fire/Winter Storm					719,038	719,038
Public Facilities Maintenance	300,000				541,224	841,224
Solid Waste Disposal					97,026	97,026
Other Contracts	1,258,128					1,258,128
Total Assigned Fund Balances	4,208,034				4,987,289	9,195,323
Unassigned:						
General Fund	21,235,769					21,235,769
Empress Theater Fund					(9,438)	(9,438)
Total Unassigned Fund Balances	21,235,769				(9,438)	21,226,331
Total Fund Balances	\$29,861,282	\$15,440,586	\$2,761,128	\$17,150,168	\$47,589,164	\$112,802,328

C. Minimum Fund Balances

The City’s Budget and Fiscal Policy requires the City to strive to maintain 15% of annual appropriations in the General Fund’s Unassigned Fund Balance. As of June 30, 2018, the Unassigned Fund Balance reached \$21,235,769, which is 20% of 2018-19 annual appropriations of \$106.5 million, including Measure B.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

D. Deficits

The funds below had fund balance or net position deficits at June 30, 2018:

Capital Project Fund:	
Empress Theater	\$9,438
 Enterprise Funds:	
Golf	1,192,657
Fiber Optic	193,112
 Internal Service Fund:	
Retiree Health Benefits	18,334,252

The Empress Theater Capital Project Fund had a net position deficit of \$9,438. The deficit will be cured by the Successor Agency's loan repayments.

The Golf Enterprise Fund had a net position deficit of \$1,192,657. The adopted 10% rate increase for annual passes that began in FY2016-17 is expected to help reduce the deficit. As more revenues are collected and as the debt service obligations are fully paid, both funds are expected to improve their net position. In addition, the management is evaluating options for the Golf Course, which includes private investment and/or sale of the property.

The Fiber Optic Enterprise Fund had a net position deficit of \$193,112. The City expects to collect lease revenue to improve the net position.

The Retiree Health Benefits Internal Service Fund had a net position deficit of \$18,334,252 due to recognition of the net OPEB liability. The City's annual budget process includes funding the liability over time through annual contributions with a 30 year amortization period to cure the deficit.

E. Restatements of Net Position

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net position of the Governmental Activities, Business-Type Activities, Water Enterprise Fund, Marina Enterprise Fund, Vallejo Station Parking Enterprise Fund, Fleet Maintenance/Replacement Internal Service Fund, Insurance Internal Service Fund, and the Retiree Health Benefits (OPEB) Internal Service Fund were restated and reduced by \$10,011,000, \$4,499,575, \$4,396,419, \$51,578, \$51,578, \$358,590, \$152,278, and \$9,500,132 respectively. The beginning net position of the Vallejo Flood and Wastewater District, a component unit of the City, was restated and reduced by \$8,379,271. See Note 11 for additional information.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 – SELF-INSURANCE PROGRAM

The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers 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 risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

A. Risk Coverage

City – The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims in excess of \$500,000 up to \$40,000,000 per occurrence with various sublimits for certain types of claims. The City has a self-insured retention or deductible of \$500,000 per claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2018, the City contributed \$391,857 for general liability coverage during the current year.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to statutory limits. The City has self-insured retention of up to \$500,000 per claim up to \$5,000,000 covered by LAWCX. Losses in excess of \$5,000,000 are insured with California Public Entity Insurance Authority. During the fiscal year ended June 30, 2018, the City contributed \$416,116 for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

The City has also purchased a Difference in Conditions commercial policy that includes earthquake coverage and provides coverage up to \$25,000,000 per occurrence with a deductible of \$25,000 for claims other than flood and earthquake. Flood claims are subject to a deductible of \$100,000 and earthquake claims have a deductible of 5% of the insured value at the time of loss with a minimum deductible of \$25,000.

The City has Auto Physical Damage coverage through Alliant Insurance Services that provides coverage up to \$10,000,000, with various per-vehicle sublimits. During the fiscal year ended June 30, 2018, the City paid \$65,350 to Alliant for its Auto Physical Damage insurance premium.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 – SELF-INSURANCE PROGRAM (Continued)

Vallejo Flood and Wastewater District—VFWD is a member of the California Sanitation Risk Management Authority which provides coverage up to \$500,000 for general liability claims, subject to a deductible of \$2,500. Excess public entity general liability insurance is obtained for coverage up to \$15,000,000 associated with either sanitary sewer or storm drain operations. Auto liability is subject to a deductible of \$1,000 with coverage up to \$2,837,747.

California Sanitation Risk Management Authority also provides coverage up to \$750,000 for workers' compensation. Excess workers compensation insurance provides coverage up to \$1,000,000. Pollution remediation insurance provides coverage up to \$1,000,000 and \$5,000,000 in the aggregate, with a deductible of \$25,000. Property insurance provides coverage up to \$173,741,809 with a deductible of \$10,000.

B. Liability for Uninsured Claims

The following is a summary changes in the City's recorded claims liabilities during the years ended June 30:

	2018	2017
Beginning balance	\$15,491,000	\$16,314,000
Current year claims and increase (decrease)		
in prior estimates	5,414,551	2,972,454
Claims paid	(3,644,551)	(3,795,454)
Ending balance	\$17,261,000	\$15,491,000
Current portion	\$3,828,996	\$3,228,594

The claims payable are reported at their present value using expected future investment yield assumption of 3%. The undiscounted claims totaled \$20,159,000 at June 30, 2018.

The City and VFWD have not significantly reduced insurance coverage from the prior year. Furthermore, settlements have not exceeded insurance coverage for the past three fiscal years.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In City management's opinion these matters will not have significant adverse effect of the City's financial position.

B. Federal and State Grant Programs

The City participates in several federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, except as noted under Grant Program – Disallowed Costs below.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

C. *Grant Program – Disallowed Costs*

During fiscal year 2018, the Housing Authority was subject to a monitoring visit by the Department of Housing and Urban Development (HUD) of the Housing Authority's Housing Choice Voucher (HCV) Program funds. In its November 2018 report, HUD listed six findings covering various activities performed over a fifteen year period applicable to the program and disallowed costs approximating \$3.9 million. The Housing Authority staff objects to the claim and intends to provide responses to the findings, including assembling and providing additional documentation to HUD. As of November 2018, the final amount of disallowed costs cannot be determined at this time.

D. *Long Term Construction Contracts*

The City and Vallejo Flood and Wastewater District have various ongoing capital projects that involve long-term construction contracts with progress payments billed and paid on a percentage-of-completion basis. Material outstanding construction commitments related to these contracts at June 30, 2018 of City and VFWD amounted to approximately \$2.4 million and \$14.1 million, respectively.

E. *Bankruptcy*

The City's entry into bankruptcy in May 2008 triggered the imposition of an automatic stay, which froze all active litigation against the City. With the confirmation of the City's plan of adjustment on August 5, 2011, and the City's official emergence from bankruptcy on November 1, 2011, the automatic stay expired. A prospective discharge injunction, however, bars the City's litigation creditors from recovering anything on their discharged claims beyond the treatment of their claims in the City's Confirmed Plan.

F. *Bay Area Air Quality Management District Air Quality Violation*

The City of Vallejo Water Division received a Notice of Violation in September 2013 from the Bay Area Air Quality Management District citing the lack of authority to construct, and lack of permit to operate seven natural gas engines. The District subsequently tested the emissions from the engines and found them to be out of compliance with District air quality regulations. In lieu of legal action to enforce the regulations, the District entered into settlement negotiations with the City. The parties have reached agreement that the City will replace the seven natural gas engines with compliant equipment. The public works project planned to achieve compliance is estimated to cost \$5-6 million, which would be paid by the Water Enterprise Fund. The City paid approximately \$10,000 to the District to apply for permits as part of the compliance process. Pursuant to settlement terms tentatively agreed on, the City will pay no penalty to the District unless the City fails to comply by January 2018. New electric pumps were installed and the compliance and settlement agreement are concluded.

G. *Earthquake*

On August 24, 2014, a magnitude 6.0 earthquake struck Solano County that affected the City of Vallejo. The earthquake caused damages to the City's road system, water control facilities, buildings and equipment, public utility system and other structures.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

In January 2015, project worksheets containing scopes of the earthquake damage were submitted to the Federal Emergency Management Agency (FEMA) for reimbursement of eligible repair costs, after which, the Public Works Department proceeded with project efforts to repair the earthquake damage. A total of fourteen projects costing \$0.7 million were approved, but the Police Building Renovation project was denied for funding. As of June 30, 2017, all of the approved projects were completed and are expected to be closed by FEMA by June 30, 2019.

During the August 2014 earthquake, numerous ceiling tiles and light fixture on the second floor of the Police Department building became displaced, and a significant number of interior locations sustained drywall cracks. In October 2014 the original ceiling tiles were tested by the City's on-call hazardous material testing firm, and were reported to contain asbestos containing material (ACM). A project proposal was submitted to FEMA in January 2015 for reimbursement of eligible repair costs but was disapproved. In July 2018, the City Council directed staff to put together a detailed process looking at all funding options and alternative revenue models for the construction of a new Police Department Building.

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

The City Council assumed the duties of the Successor Agency to the Former Vallejo Community Redevelopment Agency (Successor Agency) upon State redevelopment dissolution on February 1, 2012. Amendments to the State Health and Safety Code, enacted through ABx1 26 on June 28, 2011, AB1484 on June 27, 2012, and SB107 on September 11, 2015 suspended most redevelopment activities and charged successor agencies to retire redevelopment obligations and dispose of assets.

The activities of the Successor Agency are subject to review and approval of an Oversight Board, which is comprised of seven members, including one member representing the City Council, one representing the former Redevelopment Agency (RDA) employees, and five members representing other taxing agencies within the County. Oversight Board actions are further subject to review and approval by the State Department of Finance (DOF).

The activities of the Successor Agency are reported in the Successor Agency to the Former Redevelopment Agency Private-Purpose Trust Fund, because activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency.

Cash and investments of the Successor Agency as of June 30, 2018 are discussed in Note 2. Information about other assets and liabilities of the Successor Agency as of June 30, 2018 is presented on the following pages.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

A. Notes and Loans Receivable

Meyer Cookware Industries, Inc.

Pursuant to a Disposition and Development Agreement between the RDA and Meyer Cookware Industries, Inc., the former RDA paid certain development fees on behalf of Meyer totaling \$1,500,000. Meyer agreed to repay \$500,000 of these fees to the RDA over a 24-year period commencing in 1998. This loan to Meyer is secured by a corporate guarantee and is non-interest bearing. As of June 30, 2017 the outstanding balance of the loan was \$40,000. The terms of the agreement call for Meyer to repay the note in increasing annual installments. The final payment was made in the fiscal year ending June 30, 2018.

The obligation of Meyer to repay the remaining \$1,000,000 is contingent upon either on the sale of the property or the refinancing of the existing debt. As a result, the \$1,000,000 is not included as a receivable in the accompanying basic financial statements. Meyer has agreed to pay the RDA either 9% of the net sale proceeds upon any sale of the property as satisfaction in full of the development contribution, or net refinancing proceeds if such a refinancing should occur. Ten years following the issuance of the Certificate of Occupancy (1995), the participation in proceeds from the sale of property or refinancing has been reduced from 9% to 5%.

B. Capital Assets

The Successor Agency assumed the capital assets of the RDA as of February 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

Pursuant to the Long Range Property Management Plan, the City transferred land totaling \$8,738 back to the Successor Agency in fiscal year 2018.

Capital assets at June 30, 2018 were comprised of land of \$659,700 and Building and Improvements, net of accumulated depreciation, of \$63,253. Current year additions to accumulated depreciation were \$5,827.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

C. Long-Term Obligations

The Successor Agency assumed the long-term obligations of the former RDA as of February 2012.

1. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2017	Retirements/ Adjustments	Balance June 30, 2018	Current Portion
Tax Allocation Bonds:					
Waterfront Redevelopment Project					
7.9%, due 5/1/19	\$2,485,000	\$565,000	\$270,000	\$295,000	\$295,000
Marina Vista Project					
6.0-7.5%, due 9/1/20	3,335,000	920,000	205,000	715,000	220,000
Vallejo Central Project					
6.0-7.5%, due 9/1/20	1,900,000	770,000	165,000	605,000	185,000
Vallejo Housing Set Aside					
7.0%, due 10/1/31	5,410,000	3,435,000	180,000	3,255,000	195,000
Total Tax Allocation Bonds	13,130,000	5,690,000	820,000	4,870,000	895,000
Other Obligations					
Advances from the City of Vallejo	4,436,351	6,133,306	164,611	5,968,695	
Total Other Obligations	4,436,351	6,133,306	164,611	5,968,695	
Total Successor Agency Debt	\$17,566,351	\$11,823,306	\$984,611	\$10,838,695	\$895,000

2. Tax Allocation Bonds

Waterfront Redevelopment Project – In January 1989, Tax Allocation Refunding Bonds in the amount of \$2,485,000 were issued to repay certain advances made to the RDA from the City. The bonds mature in May 2019. Semi-annual interest payments are due on May 1 and November 1 and annual principal payments are due May 1. Bonds became eligible to be redeemed, in whole or in part, at the option of the Agency on May 1, 1996, or on any Interest Payment Date thereafter. The bonds are subject to mandatory sinking fund redemption and are secured by amounts held by the bond trustee and by incremental property tax revenues.

Marina Vista and Vallejo Central Projects – In August 1990, the Vallejo Public Financing Authority (PFA) issued Tax Allocation Bonds in the amount of \$5,235,000 to provide funds to the RDA for use in the Marina Vista Project (\$3,335,000) and in the Vallejo Central Project (\$1,900,000). Net proceeds allocated to the Marina Vista Project were used to defease all future debt service payments on certain lease revenue bonds used to finance the construction of City Hall. Net proceeds allocated to the Vallejo Central Project were used to fund infrastructure improvements in the project area.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

The bonds are secured by loan agreements between the former RDA and the PFA. The semi-annual loan payments by the RDA are expected to meet all debt service requirements of the bonds. Semi-annual interest payments are due on March 1 and September 1 and annual principal payments are due September 1. The loan payments are made solely from the tax increment revenues within the redevelopment project areas, and the bonds are reflected as a liability of the Successor Agency.

Vallejo Housing Set Aside – In August 2001, the RDA issued Tax Allocation Bonds in the amount of \$5,410,000 to finance housing activities of the RDA and to repay a loan from the PFA. Semi-annual interest payments are due on April 1 and October 1 and annual principal payments are due October 1. The bonds are subject to mandatory sinking fund redemption and payment is made solely from, and secured by, housing set-aside tax increment revenues generated within the redevelopment project areas.

Pledge of Tax Revenues – As discussed above, the RDA has pledged all future tax increment revenues, less amounts required to be set aside in the RDA’s Low and Moderate Income Housing Fund, for the repayment of the Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of \$6,738,780 remaining debt service on the Bonds above, which is scheduled to occur in 2032. With the dissolution of the RDA discussed above, Tax Increment is no longer distributed and instead the Successor Agency receives payments from the County’s Redevelopment Property Tax Trust fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In fiscal year 2018, the Successor Agency received sufficient RPTTF distributions to meet all bond obligations for the year.

3. Advances from the City

On February 12, 2015 the Oversight Board approved certain pre-dissolution loans between the City and RDA as enforceable obligations. The State DOF also approved a portion of these loans as enforceable obligations on March 26, 2015. With accrued interest at the State’s eligible interest rate of 0.27%, City loans approved for repayment by both the Oversight Board and the State DOF had a carrying value of \$4,483,965 at June 30, 2015.

On January 28, 2016, the Oversight Board passed resolution OB 16-002 to reaffirm its approval of the remaining pre-dissolution loans between the City and the RDA as enforceable obligations using new State criteria enacted through SB107. Because the State DOF did not act to approve or deny Oversight Board resolution 16-002 within the statutory review period, the resolution was deemed approved and the remaining pre-dissolution loans were re-established as of June 30, 2016. However, on November 30, 2016, the State DOF denied the Pre-1990 loans on the Agency’s Last and Final Recognized Obligation Payment Schedule (ROPS) submission. The Agency included the Pre-1990 loans from Oversight Board resolution 16-002 as a new, separate line item on the Fiscal Year 2017-18 annual ROPS to demonstrate the Agency’s intent to repay the obligation. On May 17, 2017, the State DOF denied them again. Therefore, the City recorded an allowance to offset the advances. As of June 30, 2018, the City has had no additional correspondence with the State DOF in relation to the denied advances. Following the State enactment of SB107, all pre-dissolution City/RDA loans bear a simple interest rate of 3%, and the City reduced the receivable for the three denied advances by the 3% interest accrued during fiscal year 2018.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

Repayment of these loans and the maximum annual repayment is governed by the Health and Safety Code Section 34176(e)(6). During Fiscal Year 2017-18, the Successor Agency made installment payments on outstanding City loans of \$290,628. The following is a summary of loan activity during the year ended June 30, 2018:

Balance, June 30, 2017	\$6,133,306
2017-18 interest at 3%	152,152
Current year loan payment	(290,628)
Adjustment for loans denied for repayment:	
2017-18 interest at 3%	(26,135)
	(26,135)
Balance, June 30, 2018	\$5,968,695

The loan balances as of June 30, 2018 are as follows:

	Principal	Accrued Interest	Total
Hiddenbrooke Overpass Capital Projects Fund	\$427,590	\$168,909	\$596,499
Bridge Construction Capital Projects Fund	397,356	208,978	606,334
Arts and Convention Center Capital Projects Fund	3,230,292	1,535,570	4,765,862
General Fund:			
Waterfront	162,805	860,611	1,023,416
Marina Vista		647,510	647,510
Central	708,372	888,721	1,597,093
Less Allowance for Doubtful Accounts	(871,177)	(2,396,842)	(3,268,019)
	\$4,055,238	\$1,913,457	\$5,968,695

4. Debt Service Requirements

Debt service requirements to maturity are shown below for all long-term debt, except the advances from the City, because the ultimate repayment terms cannot be determined at this time, as discussed above:

Ending June 30	Principal	Interest
2019	\$895,000	\$328,143
2020	650,000	258,974
2021	695,000	209,613
2022	240,000	175,700
2023	255,000	158,375
2024-2028	1,030,000	576,800
2029-2032	1,105,000	161,175
Total	\$4,870,000	\$1,868,780

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

D. *Commitments and Contingencies*

1. Oversight Board and State Approval of Enforceable Obligations

The Successor Agency prepares an annual Recognized Obligation Payment Schedule (ROPS) that contains proposed expenditures for the upcoming fiscal year. All payment obligations are subject to annual review and re-approval by the Oversight Board and the State DOF. The City expects future adjustments by the Oversight Board and State DOF, if any, to be immaterial.

NOTE 16 – SUBSEQUENT EVENTS

Risk Coverage Change

The City terminated its membership with the California Joint Powers Risk Management Authority effective June 30, 2018 and joined the CSAC Excess Insurance Authority (CSAC-EIA) effective July 1, 2018. As a result of the change, the City's self-insured retention or deductible increased to \$1 million per claim, followed by a \$1 million individual member corridor deductible (IMCD) and CSAC-EIA covers general liability claims in excess of \$2 million up to \$25 million inclusive of retentions per occurrence with various sublimits for certain types of claims.

REQUIRED SUPPLEMENTARY INFORMATION

CITY'S RETIREE MEDICAL BENEFITS (OPEB)
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
 Agent Multiple-Employer Plan
 Last 10 fiscal years*

Measurement Date	<u>6/30/17</u>
Total OPEB Liability	
Service Cost	\$965,000
Interest	2,831,000
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(2,957,000)
Net change in total OPEB liability	<u>839,000</u>
Total OPEB liability - beginning	<u>44,063,000</u>
Total OPEB liability - ending (a)	<u><u>\$44,902,000</u></u>
Plan fiduciary net position	
Contributions - employer	\$6,468,000
Contributions - employee	-
Net investment income	1,479,000
Benefit payments	(2,957,000)
Administrative expense	(42,000)
Net change in plan fiduciary net position	<u>4,948,000</u>
Plan fiduciary net position - beginning	<u>13,034,000</u>
Plan fiduciary net position - ending (b)	<u><u>\$17,982,000</u></u>
Net OPEB liability - ending (a)-(b)	<u><u>\$26,920,000</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	40.05%
Covered-employee payroll	<u><u>\$54,537,858</u></u>
Net OPEB liability as a percentage of covered-employee payroll	<u><u>49.36%</u></u>

* Fiscal year 2018 was the first year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY'S RETIREE MEDICAL BENEFITS (OPEB)
SCHEDULE OF CONTRIBUTIONS
Agent Multiple-Employer Plan
Last 10 fiscal years***

Fiscal Year Ended June 30,	<u>2018</u>
Actuarially determined contribution	\$2,994,000
Contributions in relation to the actuarially determined contribution	<u>4,340,000</u>
Contribution deficiency (excess)	<u><u>(\$1,346,000)</u></u>
Covered-employee payroll	<u><u>\$55,348,748</u></u>
Contributions as a percentage of covered-employee payroll	7.84%

Notes to Schedule

Valuation date: 6/30/2016

Methods and assumptions used to determine contribution rates:

Valuation Date	6/30/2016
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
Amortization Period	22-year fixed period on average for 2017/18
Asset Valuation Method	Investment gains and losses spread over 5 year rolling period
Discount Rate	6.50%
General Inflation	2.75%
Medical Trend	Non-Medicare -7.5% for 2018, decreasing to an ultimate rate of 5.0% in 2028
	Medicare - 6.5% for 2018, decreasing to an ultimate rate of 5.0% in 2028
Mortality	CalPERS 1997-2011 experience study
Mortality Improvement	MP-2016
All Other Assumptions	Same as those used to determine the total OPEB liability

* Fiscal year 2018 was the first year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

**Vallejo Flood and Wastewater District
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Fiscal Years (1)**

For the Measurement Period Ended June 30	<u>2017</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$323,479	\$341,502
Interest	1,166,959	1,209,603
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(6,230)
Changes of assumptions	-	-
Benefit Payments	(836,221)	(940,234)
Net change in Total OPEB Liability	654,217	604,641
Total OPEB Liability at beginning of year	16,150,348	16,804,565
Total OPEB Liability at end of year	<u>\$16,804,565</u>	<u>\$17,409,206</u>
Plan Fiduciary Net Position		
Contributions - employer	\$1,336,221	\$1,440,234
Contributions - member	171,665	156,902
Net investment income	794,510	83,311
Benefit payments	(836,221)	(940,234)
Administrative expenses	(36,633)	(3,094)
Net change in Plan Fiduciary Net Position	1,429,542	737,119
Plan Fiduciary Net Position at beginning of year	6,298,606	7,728,148
Plan Fiduciary Net Position at end of year	<u>\$7,728,148</u>	<u>\$8,465,267</u>
Authority's Net OPEB Liability (Asset) at end of year	<u>\$9,076,417</u>	<u>\$8,943,939</u>
Plan's Fiduciary Net Position as percentage of Total OPEB Liability	46.0%	48.6%
Covered-employee payroll	\$8,022,329	\$8,334,837
Net OPEB Liability as percentage of covered-employee payroll	113.14%	107.31%

Notes:

(1) Fiscal year 2017 was the first year of implementation

REQUIRED SUPPLEMENTARY INFORMATION

**Vallejo Flood and Wastewater District
Schedule of Contributions
Last Ten Fiscal Years (1)**

For the Fiscal Year Ended June 30	2017	2018
Actuarially Determined Contributions	\$1,092,974	\$1,050,709
Employer Contributions	1,336,221	1,440,234
Contribution Deficiency (Excess)	(\$243,247)	(\$389,525)
 Covered-Employee Payroll	 \$8,022,329	 \$8,334,837
 Contributions as percentage of covered-employee payroll	 16.66%	 17.28%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	January 1, 2016	January 1, 2018
Discount rate	7.25%	7.25%
General inflation	2.75%	2.75%
Demographic assumptions	CalPERS 1997-2011	CalPERS 1997-2011
Mortality Rate	Modified MP - 2014	Based on the CalPERS mortality tables for Public Agencies
 Healthcare Trend Rate	 6.50% initially grading down to 4.50% ultimate	 6.50% initially grading down to 4.50% ultimate

(1) Fiscal year 2017 was the first year of implementation

REQUIRED SUPPLEMENTARY INFORMATION

Vallejo Flood and Wastewater District
Schedule of Investment Returns
Last Ten Fiscal Years (1)

For the Fiscal Year Ended June 30	<u>2017</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	12.40%	5.70%

Notes:

(1) Fiscal year 2017 was the first year of implementation

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS Miscellaneous Plan - Agent Multiple-Employer Defined Benefit Pension Plan Last 10 Years*

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	\$3,707,801	\$3,687,869	\$3,796,340	\$4,404,558
Interest	17,746,245	18,270,528	18,913,669	19,104,676
Differences between expected and actual experience	-	(1,151,730)	1,132,193	(2,220,738)
Changes in assumptions	-	(4,077,633)	-	14,463,351
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	(13,630,142)	(14,371,625)	(15,103,869)	(15,488,076)
Net change in total pension liability	7,823,904	2,357,409	8,738,333	20,263,771
Total pension liability - beginning	241,577,765	249,401,669	251,759,078	260,497,411
Total pension liability - ending (a)	\$249,401,669	\$251,759,078	\$260,497,411	\$280,761,182
Plan fiduciary net position				
Contributions - employer	\$5,801,786	\$5,947,979	\$6,951,327	\$7,619,965
Contributions - employee	1,849,941	1,825,329	1,920,952	1,922,977
Net investment income (1)	24,872,487	3,661,248	810,323	17,221,783
Net plan to plan resource movement	-	-	(576)	-
Administrative expense	-	(184,697)	(99,958)	(230,440)
Benefit payments, including refunds of employee contributions	(13,630,142)	(14,371,625)	(15,103,869)	(15,488,076)
Net change in plan fiduciary net position	18,894,072	(3,121,766)	(5,521,801)	11,046,209
Plan fiduciary net position - beginning	148,241,643	167,135,715	164,013,949	158,492,148
Plan fiduciary net position - ending (b)	\$167,135,715	\$164,013,949	\$158,492,148	\$169,538,357
 Net pension liability - ending (a)-(b)	 \$82,265,954	 \$87,745,129	 \$102,005,263	 \$111,222,825
 Plan fiduciary net position as a percentage of the total pension liability	 67.01%	 65.15%	 60.84%	 60.39%
 Covered payroll	 \$19,462,126	 \$20,358,941	 \$21,778,435	 \$20,887,797
 Net pension liability as percentage of covered payroll	 422.70%	 430.99%	 468.38%	 532.48%

Notes to Schedule:

(1) Net of administrative expenses in 2014.

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes.

Changes in assumptions. GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2016 measurement date was without reduction of pension plan administrative expense. All other assumptions for the June 30, 2016 measurement date were the same as those used for the June 30, 2015 measurement date. The discount rate of 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2017 measurement date were the same as those used for the June 30, 2016 measurement date.

* - Fiscal year 2015 was the first year of implementation.

Source: CalPERS Accounting Valuation

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS
Miscellaneous Plan - Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

Fiscal Year Ended June 30,	2015	2016	2017	2018
Actuarially determined contribution	\$5,947,949	\$6,951,327	\$7,641,298	\$7,920,957
Contributions in relation to the actuarially determined contributions	5,947,949	6,951,327	7,641,298	7,920,957
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$20,358,941	\$21,778,435	\$20,887,797	\$22,403,043
Contributions as a percentage of covered payroll	29.22%	31.92%	36.58%	35.36%
Notes to Schedule				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and Administrative Expenses; excludes Inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* - Fiscal year 2015 was the first year of implementation.

Source: City of Vallejo's general ledger and CalPERS Actuarial Valuations

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
 Safety Plan - Agent Multiple-Employer Defined Benefit Pension Plan
 Last 10 Years*

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	\$5,410,714	\$5,665,531	\$6,037,920	\$7,141,768
Interest	30,833,294	31,830,406	32,721,025	32,842,161
Differences between expected and actual experience	-	463,336	(675,259)	(8,355,331)
Changes in assumptions	-	(7,623,305)	-	26,697,946
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	(23,513,099)	(24,963,470)	(25,766,118)	(26,330,644)
Net change in total pension liability	12,730,909	5,372,498	12,317,568	31,995,900
Total pension liability - beginning	420,161,774	432,892,683	438,265,181	450,582,749
Total pension liability - ending (a)	\$432,892,683	\$438,265,181	\$450,582,749	\$482,578,649
Plan fiduciary net position				
Contributions - employer	\$9,034,348	\$10,188,345	\$12,077,355	\$12,539,589
Contributions - employee	2,517,611	2,574,737	2,498,407	2,468,689
Net investment income (1)	43,593,695	6,292,622	1,329,651	29,790,194
Administrative expense	-	(320,958)	(173,865)	(400,264)
Plan to Plan resource movement	-	(115)	-	-
Benefit payments, including refunds of employee contributions	(23,513,099)	(24,963,470)	(25,766,118)	(26,330,644)
Net change in plan fiduciary net position	31,632,555	(6,228,839)	(10,034,570)	18,067,564
Plan fiduciary net position - beginning	259,879,150	291,511,705	285,282,866	275,248,296
Plan fiduciary net position - ending (b)	\$291,511,705	\$285,282,866	\$275,248,296	\$293,315,860
Net pension liability - ending (a)-(b)	\$141,380,978	\$152,982,315	\$175,334,453	\$189,262,789
Plan fiduciary net position as a percentage of the total pension liability	67.34%	65.09%	61.09%	60.78%
Covered payroll	\$19,082,521	\$20,922,604	\$21,563,045	\$19,733,377
Net pension liability as percentage of covered payroll	740.89%	731.18%	813.12%	959.10%

Notes to Schedule:

(1) Net of administrative expenses in 2014.

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes.

Changes in assumptions. GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2016 measurement date was without reduction of pension plan administrative expense. All other assumptions for the June 30, 2016 measurement date were the same as those used for the June 30, 2015 measurement date. The discount rate of 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2017 measurement date were the same as those used for the June 30, 2016 measurement date.

* - Fiscal year 2015 was the first year of implementation.

Source: CalPERS Accounting Valuation

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

Safety Plan - Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years*

Fiscal Year Ended June 30,	2015	2016	2017	2018
Actuarially determined contribution	\$10,188,345	\$12,077,355	\$12,582,017	\$13,511,840
Contributions in relation to the actuarially determined contributions	10,188,345	12,077,355	12,582,017	13,511,840
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 Covered payroll	 <u>\$20,922,604</u>	 <u>\$21,563,045</u>	 <u>\$19,733,377</u>	 <u>\$20,349,393</u>
 Contributions as a percentage of covered payroll	 48.70%	 56.01%	 63.76%	 66.40%
 Notes to Schedule				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

*- Fiscal year 2015 was the first year of implementation.

Source: City of Vallejo's general ledger and CalPERS Actuarial Valuations

REQUIRED SUPPLEMENTARY INFORMATION

Vallejo Flood and Wastewater District
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 Last 10 Years*

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.18915%	0.14712%	0.56725%	0.57650%
Plan's proportion share of the Net Pension Liability (Asset)	\$11,769,980	\$15,432,136	\$19,705,443	\$22,725,984
Plan's Covered Payroll	\$7,602,013	\$7,940,275	\$8,022,329	\$8,334,837
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	154.83%	194.35%	245.63%	272.66%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%

Notes to Schedule:

Benefit Changes - In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary, instead of a final five-year average salary.

Changes in Assumptions - In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

* - Fiscal year 2015 was the first year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

**Vallejo Flood and Wastewater District
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions
Last 10 Fiscal Years***

Fiscal Year Ended June 30,	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$1,274,837	\$1,064,678	\$899,758	\$911,598
Contributions in relation to the actuarially determined contributions	<u>(1,274,837)</u>	<u>(1,064,678)</u>	<u>(899,758)</u>	<u>(911,598)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 Covered payroll	 \$7,693,775	 \$7,924,588	 \$8,022,329	 \$8,334,837
Contributions as a percentage of covered payroll	16.57%	13.44%	11.22%	10.94%

* - Fiscal year 2015 is the first year of implementation.

Source: VFWD's general ledger and CalPERS Actuarial Valuation



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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Community Development Block Grant Fund accounts for monies received and expended by the City as a participant in the Federal Community Development Block Grant program.

HOME Program Fund accounts for monies received and expended by the City as a participant in the Federal HOME Grant program.

Neighborhood Stabilization Program Fund accounts for monies received and expended by the City as a participant in the Federal NSP Grant.

Mare Island Base Reuse Fund accounts for monies received from tenants placed on the former Mare Island Naval Shipyard during the conversion process. It also accounts for operating costs to support ongoing development programs on the island. Funds are restricted for use on the island.

Mare Island CFD 2002 Fund accounts for monies received from general taxes and from property owner assessments for maintenance and repair of infrastructure and facilities on the former Mare Island Naval Shipyard.

Mare Island CFD 2005 1A (State) Fund accounts for transactions of this district formed under state statute to provide municipal services within the district.

Mare Island CFD 2005 1B (Local) Fund accounts for transactions of this district formed under local statute to provide municipal services within the district.

State Gas Tax Fund accounts for monies received from the state gas tax allocation and expended on construction, improvement and maintenance of public streets and related infrastructure.

Solid Waste Disposal Fund accounts for monies received from garbage collection fines and expended on enforcing major portions of the mandatory garbage subscription ordinance. This fund is also used for the mandatory city-wide recycling program and related recycling program grants.

Hiddenbrooke Community Services District Fund accounts for monies collected as the result of special taxes which are used to fund a variety of municipal services provided to the residents of the Hiddenbrooke development.

Landscape Maintenance Districts Fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscape services within the specified districts.

Assets Seizure Fund accounts for monies received from police confiscated drug money and property. Funds are held until final court disposition is received. The funds are then restricted for police related activities only.

Traffic Offender/Vehicle Impound Program Fund accounts for monies received and expended from vehicle impound fees.

Office of Traffic Safety Fund accounts for the award and expenditure of grants from the California Office of Traffic Safety.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Justice Assistance Grant Fund accounts for revenues received from the Justice Assistance Grant.

Supplemental Law Enforcement Grant Fund accounts for revenues received from the Supplemental Law Enforcement Services Grant.

Cadet Program Fund accounts for fee revenues and related staff costs of the Police Cadet Program. The Cadets provide security services to various city programs.

Outside Services Fund accounts for one-time billings to third parties and the related expenditures of these funds. The primary activity is development review.

State Lands Fund accounts for lease rentals generated from City-owned waterfront property subject to State Lands Commission restrictions.

Hazmat Revolving Fund accounts for monies received and expended for hazardous material removal.

Administrative Trust Fund accounts for funds held for special programs, including performance bonds for construction projects.

Emergency Disaster Fund accounts for monies received and expended for activities related to damages from the 2014 South Napa earthquake, including federal and State grant revenues.

NLP Nuisance Abatement Fund accounts for monies received and used to demolish dangerous buildings or prevent escalating nuisance conditions.

DEBT SERVICE FUND

Certificates of Participation Fund accounts for the accumulation of lease revenue and the payments of annual General Fund debt service requirements. Debt issues include the 1999, 2000, 2002, and 2003 certificates of participation.

CAPITAL PROJECTS FUNDS

Transportation Impact Mitigation Fund accounts for monies received from the Transportation Impact fee imposed on commercial and residential development and expended on transportation improvements necessitated by such development.

Bridge Construction Fund accounts for monies received from the Bridge Construction Development Tax Ordinance.

Northgate Fee & Benefit District #94-1 Fund accounts for monies received from the development of the Northgate District #94-1 and expended for public improvements within that development area.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Hiddenbrooke Overpass Fund accounts for monies received from the Hiddenbrooke Overpass fee imposed on commercial and residential development within the Hiddenbrooke development area. These funds will be used to renovate the existing Hiddenbrooke overpass.

Mare Island CFD 2005 1A Facilities Fund accounts for transactions of this district formed under state statute to provide municipal facilities within the district.

Traffic Congestion Relief Fund accounts for street maintenance and capital expenditures to be paid from State Proposition 42 allocations.

Capital Grants & Contributions Fund accounts for capital project expenditures to be reimbursed from by granting agencies, developers, or other third parties.

Neighborhood Parks (GVRD) Fund accounts for park development impact fee revenue and for contributions to the Greater Vallejo Recreation District for park improvements.

Vallejo Station Capital Projects Fund accounts for grants received to support construction of a new Transit Center and related parking structure in downtown Vallejo.

Long-Term Maintenance Fund accounts for revenues received from cell tower leases for use on long term repairs and maintenance expenditures.

Arts and Convention Center Fund accounts for the Empress Theatre advances to the former Redevelopment Agency.

Columbus Parkway Improvements Fund accounts for monies received from a developer for the Columbus Parkway widening project.

Empress Theater Fund accounts for the maintenance of Empress Theater.

Road Maintenance and Rehabilitation Act Fund accounts for street maintenance and capital projects to be paid from Senate Bill (SB) 1 allocation.

PERMANENT FUND

McCune Collection Fund accounts for monies held for the Library which consists of donations and sales of rare books to maintain the McCune book collection.

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

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	HOME Program Fund # 102	Neighborhood Stabilization Program Fund #103	Mare Island Base Reuse Fund #107	Mare Island CFD 2002 Fund #112
ASSETS					
Cash and investments		\$1,195,077	\$429,234	\$1,012,140	\$5,150,568
Restricted cash and investments held with fiscal agent					
Accounts receivable	\$820	29,335	4,812	1,170	107,884
Due from other governments	185,424	30,659			
Notes and loans receivable	2,091,629	4,692,389	1,738,630		
Materials and supplies					
Total Assets	<u>\$2,277,873</u>	<u>\$5,947,460</u>	<u>\$2,172,676</u>	<u>\$1,013,310</u>	<u>\$5,258,452</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$78,003	\$47,534		\$19,506	\$110,393
Due to other funds	108,063				
Due to other governments	178				
Unearned revenue - Grants				31,048	137,306
Deposits payable				7,785	
Total Liabilities	<u>186,244</u>	<u>47,534</u>		<u>58,339</u>	<u>247,699</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - accounts receivable		23,750			
Unavailable revenue - interest receivable					
Unavailable revenue - notes and loans receivable	2,091,629	4,692,389	\$1,738,630		
Total Deferred Inflows of Resources	<u>2,091,629</u>	<u>4,716,139</u>	<u>1,738,630</u>		
FUND BALANCES					
Fund balances					
Nonspendable					
Restricted		1,183,787	434,046		5,010,753
Committed				954,971	
Assigned					
Unassigned					
Total Fund Balances		<u>1,183,787</u>	<u>434,046</u>	<u>954,971</u>	<u>5,010,753</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$2,277,873</u>	<u>\$5,947,460</u>	<u>\$2,172,676</u>	<u>\$1,013,310</u>	<u>\$5,258,452</u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1A (State) Fund #113	Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161-188	Assets Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140
\$347,400	\$1,332,202	\$10,852	\$225,629	\$3,065,820	\$11,736,366	\$743,733	\$10,927
		306,194	32,703 83,159				
						3,000	
<u>\$347,400</u>	<u>\$1,332,202</u>	<u>\$317,046</u>	<u>\$341,491</u>	<u>\$3,065,820</u>	<u>\$11,736,366</u>	<u>\$746,733</u>	<u>\$10,927</u>
\$46,966		\$245,353	\$21,107	\$72,935	\$410,531		\$4,210
		3,194	223,358	176,816		\$7,353	
						236,891	
<u>46,966</u>		<u>248,547</u>	<u>244,465</u>	<u>249,751</u>	<u>410,531</u>	<u>244,244</u>	<u>4,210</u>
300,434	\$1,332,202	68,499		2,816,069	11,325,835	3,000 499,489	6,717
			97,026				
<u>300,434</u>	<u>1,332,202</u>	<u>68,499</u>	<u>97,026</u>	<u>2,816,069</u>	<u>11,325,835</u>	<u>502,489</u>	<u>6,717</u>
<u>\$347,400</u>	<u>\$1,332,202</u>	<u>\$317,046</u>	<u>\$341,491</u>	<u>\$3,065,820</u>	<u>\$11,736,366</u>	<u>\$746,733</u>	<u>\$10,927</u>

(Continued)

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

	SPECIAL REVENUE FUNDS				
	Office of Traffic Safety Fund #146	Justice Assistance Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	Outside Services Fund #129
ASSETS					
Cash and investments			\$487,156	\$44,837	\$651,314
Restricted cash and investments held with fiscal agent					
Accounts receivable					3,789
Due from other governments	\$27,912	\$10,766	88,216		
Notes and loans receivable					
Materials and supplies					
Total Assets	\$27,912	\$10,766	\$575,372	\$44,837	\$655,103
LIABILITIES					
Accounts payable and accrued liabilities		\$8,760	\$861		\$114,588
Due to other funds	\$27,912	2,006			
Due to other governments					
Unearned revenue - Grants					
Deposits payable					540,515
Total Liabilities	27,912	10,766	861		655,103
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - accounts receivable					
Unavailable revenue - interest receivable					
Unavailable revenue - notes and loans receivable					
Total Deferred Inflows of Resources					
FUND BALANCES					
Fund balances					
Nonspendable					
Restricted			574,511	\$44,837	
Committed					
Assigned					
Unassigned					
Total Fund Balances			574,511	44,837	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$27,912	\$10,766	\$575,372	\$44,837	\$655,103

SPECIAL REVENUE FUNDS					DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	
State Lands Fund #134	Hazmat Revolving Fund #143	Administrative Trust Fund #601	Emergency Disaster Fund #109	NLP Nuisance Abatement Fund #147	Certificates of Participation Fund #-various	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204
		\$763,524	\$1,488,390	\$413,626		\$3,444,815	\$190,627
\$17,139	\$10,300		34,137		\$250,565		
						89,088	606,334
<u>\$17,139</u>	<u>\$10,300</u>	<u>\$763,524</u>	<u>\$1,522,527</u>	<u>\$413,626</u>	<u>\$250,565</u>	<u>\$3,533,903</u>	<u>\$796,961</u>
\$10,832	\$10,300		\$17,526				
4,920			460,872				
1,387		\$763,524					
<u>17,139</u>	<u>10,300</u>	<u>763,524</u>	<u>478,398</u>				
							\$208,978
							<u>208,978</u>
					\$250,565	\$3,533,903	587,983
			1,044,129	\$413,626			
			<u>1,044,129</u>	<u>413,626</u>	<u>250,565</u>	<u>3,533,903</u>	<u>587,983</u>
<u>\$17,139</u>	<u>\$10,300</u>	<u>\$763,524</u>	<u>\$1,522,527</u>	<u>\$413,626</u>	<u>\$250,565</u>	<u>\$3,533,903</u>	<u>\$796,961</u>

(Continued)

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

	<u>CAPITAL PROJECTS FUNDS</u>				
	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Mare Island CFD 2005 1A Facilities Fund #213	Traffic Congestion Relief Fund #219	Capital Grants & Contributions Fund #221
ASSETS					
Cash and investments	\$244,692	\$7,416,095	\$1,301,186	\$1,345,306	\$577,564
Restricted cash and investments held with fiscal agent					
Accounts receivable Due from other governments					1,034,605
Notes and loans receivable		596,499			
Materials and supplies					
Total Assets	<u>\$244,692</u>	<u>\$8,012,594</u>	<u>\$1,301,186</u>	<u>\$1,345,306</u>	<u>\$1,612,169</u>
LIABILITIES					
Accounts payable and accrued liabilities Due to other funds		\$8,491		\$61,944	\$209,846 758,909
Due to other governments					
Unearned revenue - Grants					577,564
Deposits payable					
Total Liabilities		<u>8,491</u>		<u>61,944</u>	<u>1,546,319</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - accounts receivable					
Unavailable revenue - interest receivable		168,909			
Unavailable revenue - notes and loans receivable					
Total Deferred Inflows of Resources		<u>168,909</u>			
FUND BALANCES					
Fund balances Nonspendable					
Restricted	\$244,692	7,835,194	\$1,301,186	1,283,362	65,850
Committed					
Assigned					
Unassigned					
Total Fund Balances	<u>244,692</u>	<u>7,835,194</u>	<u>1,301,186</u>	<u>1,283,362</u>	<u>65,850</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$244,692</u>	<u>\$8,012,594</u>	<u>\$1,301,186</u>	<u>\$1,345,306</u>	<u>\$1,612,169</u>

CAPITAL PROJECTS FUNDS

Neighborhood Parks (GVRD) Fund #137	Vallejo Station Fund # 222	Long-Term Maintenance Fund #223	Arts and Convention Center Fund #206	Columbus Parkway Improvements Fund #224	Empress Theater Fund #225	Road Maintenance and Rehabilitation Act Fund #226
\$379,598		\$667,424	\$74,618	\$1,149,127	\$45,750	\$397,490
185,966			4,765,862		47,754	250,693
<u>\$565,564</u>		<u>\$667,424</u>	<u>\$4,840,480</u>	<u>\$1,149,127</u>	<u>\$93,504</u>	<u>\$648,183</u>
					\$55,188	\$5,265
					<u>55,188</u>	<u>5,265</u>
\$47,205			\$1,535,570		47,754	
<u>47,205</u>			<u>1,535,570</u>		<u>47,754</u>	
518,359		\$126,200 541,224	3,304,910	\$1,149,127		642,918
					(9,438)	
<u>518,359</u>		<u>667,424</u>	<u>3,304,910</u>	<u>1,149,127</u>	<u>(9,438)</u>	<u>642,918</u>
<u>\$565,564</u>		<u>\$667,424</u>	<u>\$4,840,480</u>	<u>\$1,149,127</u>	<u>\$93,504</u>	<u>\$648,183</u>

(Continued)

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

	<u>PERMANENT FUND</u>	
	<u>McCune Collection Fund #603</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS		
Cash and investments	\$104,422	\$46,447,509
Restricted cash and investments held with fiscal agent		250,565
Accounts receivable		514,146
Due from other governments		1,745,571
Notes and loans receivable		14,814,151
Materials and supplies		3,000
	<u>\$104,422</u>	<u>\$63,774,942</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$1,224	\$1,540,231
Due to other funds		918,022
Due to other governments		7,531
Unearned revenue - Grants		1,615,078
Deposits payable		1,550,102
	<u>1,224</u>	<u>5,630,964</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - accounts receivable		23,750
Unavailable revenue - interest receivable		1,960,662
Unavailable revenue - notes and loans receivable		8,570,402
		<u>10,554,814</u>
FUND BALANCES		
Fund balances		
Nonspendable	64,625	67,625
Restricted	38,573	39,899,764
Committed		2,643,924
Assigned		4,987,289
Unassigned		(9,438)
	<u>103,198</u>	<u>47,589,164</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$104,422</u>	<u>\$63,774,942</u>



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CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant Fund #101	Home Program Fund # 102	Neighborhood Stabilization Program Fund #103	Mare Island Base Reuse Fund #107	Mare Island CFD 2002 Fund #112
REVENUES					
Taxes					\$1,496,027
Licenses, permits and fees					
Fines and forfeitures					
Intergovernmental	\$878,564	\$164,843			
Use of money and property	37,875	485,867	\$43,308	\$224,555	24,279
Charges for services				3,581	2,218,133
Other		350			
Total Revenues	<u>916,439</u>	<u>651,060</u>	<u>43,308</u>	<u>228,136</u>	<u>3,738,439</u>
EXPENDITURES					
Current:					
Finance					
Law					
Development services					
Community development	511,472	771,448	4,331	358,299	
Fire services					1,872,000
Police services					591,000
Public works					1,133,055
Capital outlay	404,967			481,813	41,498
Debt Service:					
Principal					
Interest and fiscal agent fees					
Total Expenditures	<u>916,439</u>	<u>771,448</u>	<u>4,331</u>	<u>840,112</u>	<u>3,637,553</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
		<u>(120,388)</u>	<u>38,977</u>	<u>(611,976)</u>	<u>100,886</u>
OTHER FINANCING SOURCES (USES)					
Transfers in				274,250	
Transfers (out)					
Total Other Financing Sources (Uses)				<u>274,250</u>	
NET CHANGE IN FUND BALANCES					
		<u>(120,388)</u>	<u>38,977</u>	<u>(337,726)</u>	<u>100,886</u>
BEGINNING FUND BALANCES		<u>1,304,175</u>	<u>395,069</u>	<u>1,292,697</u>	<u>4,909,867</u>
ENDING FUND BALANCES		<u><u>\$1,183,787</u></u>	<u><u>\$434,046</u></u>	<u><u>\$954,971</u></u>	<u><u>\$5,010,753</u></u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1A (State) Fund #113	Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161-188	Asset Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140
			\$13,949 5,000			\$49,777	\$59,930
\$1,712	\$7,241	\$2,624,692 1,151	159,274 2,053	\$16,256	\$59,932	3,432	786
276,394	110,194	1,183,250 58,163	1,347,581	764,962	3,714,430 211,940		7,700
<u>278,106</u>	<u>117,435</u>	<u>3,867,256</u>	<u>1,527,857</u>	<u>781,218</u>	<u>3,986,302</u>	<u>53,209</u>	<u>68,416</u>
						50,453	181,435
299,176	5,112	3,125,364	1,522,880	569,655 15,009	2,629,403 286,326		
<u>299,176</u>	<u>5,112</u>	<u>3,125,364</u>	<u>1,522,880</u>	<u>584,664</u>	<u>2,915,729</u>	<u>50,453</u>	<u>181,435</u>
(21,070)	112,323	741,892	4,977	196,554	1,070,573	2,756	(113,019)
		(681,605)					
		(681,605)					
(21,070)	112,323	60,287	4,977	196,554	1,070,573	2,756	(113,019)
321,504	1,219,879	8,212	92,049	2,619,515	10,255,262	499,733	119,736
<u>\$300,434</u>	<u>\$1,332,202</u>	<u>\$68,499</u>	<u>\$97,026</u>	<u>\$2,816,069</u>	<u>\$11,325,835</u>	<u>\$502,489</u>	<u>\$6,717</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS				
	Office of Traffic Safety Fund #146	Justice Assistance Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	Outside Services Fund #129
REVENUES					
Taxes					
Licenses, permits and fees					
Fines and forfeitures					
Intergovernmental	\$126,350	\$112,492	\$340,404		
Use of money and property			2,432	\$273	\$3,545
Charges for services					598,931
Other				4,461	
Total Revenues	<u>126,350</u>	<u>112,492</u>	<u>342,836</u>	<u>4,734</u>	<u>602,476</u>
EXPENDITURES					
Current:					
Finance					
Law					
Development services					578,419
Community development					
Fire services					
Police services	126,350	112,492	144,001	23,285	
Public works					20,512
Capital outlay					
Debt Service:					
Principal					
Interest and fiscal agent fees					
Total Expenditures	<u>126,350</u>	<u>112,492</u>	<u>144,001</u>	<u>23,285</u>	<u>598,931</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
			<u>198,835</u>	<u>(18,551)</u>	<u>3,545</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)					(3,545)
Total Other Financing Sources (Uses)					<u>(3,545)</u>
NET CHANGE IN FUND BALANCES					
			<u>198,835</u>	<u>(18,551)</u>	
BEGINNING FUND BALANCES					
			<u>375,676</u>	<u>63,388</u>	
ENDING FUND BALANCES					
			<u><u>\$574,511</u></u>	<u><u>\$44,837</u></u>	

SPECIAL REVENUE FUNDS					DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	
State Lands Fund #134	Hazmat Revolving Fund #143	Administrative Trust Fund #601	Emergency Disaster Fund #109	NLP Nuisance Abatement Fund #147	Certificates of Participation Fund #-various	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204
			\$34,590			\$141,900	
\$299,626	\$17 40,600	\$3,671		\$2,633 46,456 100,395	\$1,158	19,182	\$1,627
<u>299,626</u>	<u>40,617</u>	<u>21,256</u>	<u>34,590</u>	<u>149,484</u>	<u>1,158</u>	<u>161,082</u>	<u>1,627</u>
				39,880			
58,369	40,617	17,585	327,206		9,000	4,500	4,500 137,912
<u>58,369</u>	<u>40,617</u>	<u>17,585</u>	<u>327,206</u>	<u>39,880</u>	<u>1,179,038</u>	<u>4,500</u>	<u>142,412</u>
241,257		3,671	(292,616)	109,604	(1,177,880)	156,582	(140,785)
<u>(241,257)</u>		<u>(3,671)</u>	<u>1,000,000</u>		<u>1,185,876</u>		<u>(5,911)</u>
<u>(241,257)</u>		<u>(3,671)</u>	<u>1,000,000</u>	<u>-</u>	<u>1,185,876</u>		<u>(5,911)</u>
			707,384	109,604	7,996	156,582	(146,696)
			336,745	304,022	242,569	3,377,321	734,679
			<u>\$1,044,129</u>	<u>\$413,626</u>	<u>\$250,565</u>	<u>\$3,533,903</u>	<u>\$587,983</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	CAPITAL PROJECTS FUNDS				
	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Mare Island CFD 2005 1A Facilities Fund #213	Traffic Congestion Relief Fund #219	Capital Grants & Contributions Fund #221
REVENUES					
Taxes					
Licenses, permits and fees	\$27,736	\$340			
Fines and forfeitures					
Intergovernmental					\$839,708
Use of money and property	1,295	42,585	\$7,146	\$5,470	3,371
Charges for services			92,833		
Other					
Total Revenues	<u>29,031</u>	<u>42,925</u>	<u>99,979</u>	<u>5,470</u>	<u>843,079</u>
EXPENDITURES					
Current:					
Finance					
Law					
Development services					
Community development					
Fire services					
Police services					
Public works	4,500	4,500	7,100		
Capital outlay		43,099		405,607	839,707
Debt Service:					
Principal					
Interest and fiscal agent fees					
Total Expenditures	<u>4,500</u>	<u>47,599</u>	<u>7,100</u>	<u>405,607</u>	<u>839,707</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>24,531</u>	<u>(4,674)</u>	<u>92,879</u>	<u>(400,137)</u>	<u>3,372</u>
OTHER FINANCING SOURCES (USES)					
Transfers in				681,605	
Transfers (out)		(5,801)			
Total Other Financing Sources (Uses)		<u>(5,801)</u>		<u>681,605</u>	
NET CHANGE IN FUND BALANCES					
	<u>24,531</u>	<u>(10,475)</u>	<u>92,879</u>	<u>281,468</u>	<u>3,372</u>
BEGINNING FUND BALANCES					
	<u>220,161</u>	<u>7,845,669</u>	<u>1,208,307</u>	<u>1,001,894</u>	<u>62,478</u>
ENDING FUND BALANCES					
	<u>\$244,692</u>	<u>\$7,835,194</u>	<u>\$1,301,186</u>	<u>\$1,283,362</u>	<u>\$65,850</u>

CAPITAL PROJECTS FUNDS

Neighborhood Parks (GVRD) Fund #137	Vallejo Station Fund # 222	Long-Term Maintenance Fund #223	Arts and Convention Center Fund #206	Columbus Parkway Improvements Fund #224	Empress Theater Fund #225	Road Maintenance and Rehabilitation Act Fund #226
						\$693,068
\$13,295						
2,154	\$368,348	\$3,425	\$425	\$5,584 236,720	\$251	337
<u>15,449</u>	<u>368,348</u>	<u>3,425</u>	<u>425</u>	<u>242,304</u>	<u>251</u>	<u>693,405</u>
7,438	368,348	43,800		4,500	22,532	50,487
<u>7,438</u>	<u>368,348</u>	<u>43,800</u>		<u>4,500</u>	<u>22,532</u>	<u>50,487</u>
8,011		(40,375)	425	237,804	(22,281)	642,918
		100,000	(232,066)			
		100,000	(232,066)			
<u>8,011</u>		<u>59,625</u>	<u>(231,641)</u>	<u>237,804</u>	<u>(22,281)</u>	<u>642,918</u>
<u>510,348</u>		<u>607,799</u>	<u>3,536,551</u>	<u>911,323</u>	<u>12,843</u>	
<u>\$518,359</u>		<u>\$667,424</u>	<u>\$3,304,910</u>	<u>\$1,149,127</u>	<u>(\$9,438)</u>	<u>\$642,918</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>PERMANENT FUND</u>	
	<u>McCune Collection Fund #603</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES		
Taxes		\$2,189,095
Licenses, permits and fees		257,150
Fines and forfeitures		54,777
Intergovernmental		5,649,265
Use of money and property	\$605	1,315,259
Charges for services		10,634,065
Other		400,594
	<u>605</u>	<u>20,500,205</u>
EXPENDITURES		
Current:		
Finance		
Law		39,880
Development services		578,419
Community development	2,346	1,706,265
Fire services		1,912,617
Police services		1,246,601
Public works		9,693,495
Capital outlay		3,126,011
Debt Service:		
Principal		887,507
Interest and fiscal agent fees		282,531
	<u>2,346</u>	<u>19,473,326</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		
	<u>(1,741)</u>	<u>1,026,879</u>
OTHER FINANCING SOURCES (USES)		
Transfers in		3,241,731
Transfers (out)		(1,173,856)
		<u>2,067,875</u>
NET CHANGE IN FUND BALANCES		
	<u>(1,741)</u>	<u>3,094,754</u>
BEGINNING FUND BALANCES	<u>104,939</u>	<u>44,494,410</u>
ENDING FUND BALANCES	<u>\$103,198</u>	<u>\$47,589,164</u>



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CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	COMMUNITY DEVELOPMENT BLOCK GRANT			HOME PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$6,236,615	\$878,564	(\$5,358,051)	\$1,372,065	\$164,843	(\$1,207,222)
Use of money and property	50,000	37,875	(12,125)	200,000	485,867	285,867
Charges for services						
Other					350	350
Total Revenues	<u>6,286,615</u>	<u>916,439</u>	<u>(5,370,176)</u>	<u>1,572,065</u>	<u>651,060</u>	<u>(921,005)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Law						
Development services						
Community development	5,815,803	511,472	5,304,331	2,876,241	771,448	2,104,793
Fire services						
Police services						
Public works						
Nondepartmental						
Capital outlay	470,812	404,967	65,845			
Total Expenditures	<u>6,286,615</u>	<u>916,439</u>	<u>5,370,176</u>	<u>2,876,241</u>	<u>771,448</u>	<u>2,104,793</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				<u>(1,304,176)</u>	<u>(120,388)</u>	<u>1,183,788</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES				<u>(\$1,304,176)</u>	<u>(120,388)</u>	<u>\$1,183,788</u>
BEGINNING FUND BALANCES					<u>1,304,175</u>	
ENDING FUND BALANCES					<u>\$1,183,787</u>	

NEIGHBORHOOD STABILIZATION PROGRAM			MARE ISLAND BASE REUSE			MARE ISLAND CFD 2002		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$1,364,291	\$1,496,027	\$131,736
\$897,748		(\$897,748)						
10,000	\$43,308	33,308	\$385,000	\$224,555	(\$160,445)	26,000	24,279	(1,721)
				3,581	3,581	2,182,440	2,218,133	35,693
<u>907,748</u>	<u>43,308</u>	<u>(864,440)</u>	<u>385,000</u>	<u>228,136</u>	<u>(156,864)</u>	<u>3,572,731</u>	<u>3,738,439</u>	<u>165,708</u>
1,302,816	4,331	1,298,485	886,995	358,299	528,696	1,822,000	1,872,000	(50,000)
						596,000	591,000	5,000
						1,266,846	1,133,055	133,791
			<u>481,813</u>	<u>481,813</u>		<u>91,068</u>	<u>41,498</u>	<u>49,570</u>
<u>1,302,816</u>	<u>4,331</u>	<u>1,298,485</u>	<u>1,368,808</u>	<u>840,112</u>	<u>528,696</u>	<u>3,775,914</u>	<u>3,637,553</u>	<u>138,361</u>
<u>(395,068)</u>	<u>38,977</u>	<u>434,045</u>	<u>(983,808)</u>	<u>(611,976)</u>	<u>371,832</u>	<u>(203,183)</u>	<u>100,886</u>	<u>304,069</u>
			274,250	274,250				
			<u>274,250</u>	<u>274,250</u>				
<u>(\$395,068)</u>	38,977	<u>\$434,045</u>	<u>(\$709,558)</u>	(337,726)	<u>\$371,832</u>	<u>(\$203,183)</u>	100,886	<u>\$304,069</u>
	<u>395,069</u>			<u>1,292,697</u>			<u>4,909,867</u>	
	<u>\$434,046</u>			<u>\$954,971</u>			<u>\$5,010,753</u>	

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	MARE ISLAND CFD 2005 1A (State)			MARE ISLAND CFD 2005 1B (Local)		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property		\$1,712	\$1,712		\$7,241	\$7,241
Charges for services	\$281,569	276,394	(5,175)	\$112,254	110,194	(2,060)
Other						
Total Revenues	<u>281,569</u>	<u>278,106</u>	<u>(3,463)</u>	<u>112,254</u>	<u>117,435</u>	<u>5,181</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services						
Public works	302,569	299,176	3,393	9,222	5,112	4,110
Nondepartmental						
Capital outlay						
Total Expenditures	<u>302,569</u>	<u>299,176</u>	<u>3,393</u>	<u>9,222</u>	<u>5,112</u>	<u>4,110</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(21,000)</u>	<u>(21,070)</u>	<u>(70)</u>	<u>103,032</u>	<u>112,323</u>	<u>9,291</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$21,000)</u>	<u>(21,070)</u>	<u>(\$70)</u>	<u>\$103,032</u>	<u>112,323</u>	<u>\$9,291</u>
BEGINNING FUND BALANCES		<u>321,504</u>			<u>1,219,879</u>	
ENDING FUND BALANCES		<u>\$300,434</u>			<u>\$1,332,202</u>	

STATE GAS TAX			SOLID WASTE DISPOSAL			HIDDENBROOKE COMMUNITY SERVICES DISTRICT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$9,050	\$13,949	\$4,899			
				5,000	5,000			
\$2,726,447	\$2,624,692	(\$101,755)	159,274	159,274				
	1,151	1,151		2,053	2,053	\$22,713	\$16,256	(\$6,457)
1,175,000	1,183,250	8,250	1,431,395	1,347,581	(83,814)	797,444	764,962	(32,482)
39,500	58,163	18,663						
<u>3,940,947</u>	<u>3,867,256</u>	<u>(73,691)</u>	<u>1,599,719</u>	<u>1,527,857</u>	<u>(71,862)</u>	<u>820,157</u>	<u>781,218</u>	<u>(38,939)</u>
3,267,555	3,125,364	142,191	1,545,905	1,522,880	23,025	914,002	569,655	344,347
						15,009	15,009	
<u>3,267,555</u>	<u>3,125,364</u>	<u>142,191</u>	<u>1,545,905</u>	<u>1,522,880</u>	<u>23,025</u>	<u>929,011</u>	<u>584,664</u>	<u>344,347</u>
<u>673,392</u>	<u>741,892</u>	<u>68,500</u>	<u>53,814</u>	<u>4,977</u>	<u>(48,837)</u>	<u>(108,854)</u>	<u>196,554</u>	<u>305,408</u>
<u>(681,605)</u>	<u>(681,605)</u>							
<u>(681,605)</u>	<u>(681,605)</u>							
<u>(\$8,213)</u>	60,287	<u>\$68,500</u>	<u>\$53,814</u>	4,977	<u>(\$48,837)</u>	<u>(\$108,854)</u>	196,554	<u>\$305,408</u>
	8,212			92,049			2,619,515	
	<u>\$68,499</u>			<u>\$97,026</u>			<u>\$2,816,069</u>	

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	LANDSCAPE MAINTENANCE DISTRICTS			ASSET SEIZURE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures				\$10,000	\$49,777	\$39,777
Intergovernmental						
Use of money and property	\$96,165	\$59,932	(\$36,233)		3,432	3,432
Charges for services	3,572,800	3,714,430	141,630			
Other		211,940	211,940			
Total Revenues	<u>3,668,965</u>	<u>3,986,302</u>	<u>317,337</u>	<u>10,000</u>	<u>53,209</u>	<u>43,209</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services				200,000	50,453	149,547
Public works	2,895,851	2,629,403	266,448			
Nondepartmental						
Capital outlay	<u>286,326</u>	<u>286,326</u>				
Total Expenditures	<u>3,182,177</u>	<u>2,915,729</u>	<u>266,448</u>	<u>200,000</u>	<u>50,453</u>	<u>149,547</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>486,788</u>	<u>1,070,573</u>	<u>583,785</u>	<u>(190,000)</u>	<u>2,756</u>	<u>192,756</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$486,788</u>	<u>1,070,573</u>	<u>\$583,785</u>	<u>(\$190,000)</u>	<u>2,756</u>	<u>\$192,756</u>
BEGINNING FUND BALANCES		<u>10,255,262</u>			<u>499,733</u>	
ENDING FUND BALANCES		<u>\$11,325,835</u>			<u>\$502,489</u>	

TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM			OFFICE OF TRAFFIC SAFETY			JUSTICE ASSISTANCE GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$100,000	\$59,930	(\$40,070)						
	786	786	\$287,000	\$126,350	(\$160,650)	\$116,458	\$112,492	(\$3,966)
	7,700	7,700						
<u>100,000</u>	<u>68,416</u>	<u>(31,584)</u>	<u>287,000</u>	<u>126,350</u>	<u>(160,650)</u>	<u>116,458</u>	<u>112,492</u>	<u>(3,966)</u>
150,000	181,435	(31,435)	287,000	126,350	160,650	116,458	112,492	3,966
<u>150,000</u>	<u>181,435</u>	<u>(31,435)</u>	<u>287,000</u>	<u>126,350</u>	<u>160,650</u>	<u>116,458</u>	<u>112,492</u>	<u>3,966</u>
<u>(50,000)</u>	<u>(113,019)</u>	<u>(63,019)</u>						
<u>(\$50,000)</u>	<u>(113,019)</u>	<u>(\$63,019)</u>						
	<u>119,736</u>							
	<u>\$6,717</u>							

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	SUPPLEMENTAL LAW ENFORCEMENT GRANT			CADET PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$180,000	\$340,404	\$160,404			
Use of money and property		2,432	2,432		\$273	\$273
Charges for services						
Other					4,461	4,461
Total Revenues	<u>180,000</u>	<u>342,836</u>	<u>162,836</u>		<u>4,734</u>	<u>4,734</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services	374,487	144,001	230,486	\$53,594	23,285	30,309
Public works						
Nondepartmental						
Capital outlay						
Total Expenditures	<u>374,487</u>	<u>144,001</u>	<u>230,486</u>	<u>53,594</u>	<u>23,285</u>	<u>30,309</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(194,487)</u>	<u>198,835</u>	<u>393,322</u>	<u>(53,594)</u>	<u>(18,551)</u>	<u>35,043</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$194,487)</u>	<u>198,835</u>	<u>\$393,322</u>	<u>(\$53,594)</u>	<u>(18,551)</u>	<u>\$35,043</u>
BEGINNING FUND BALANCES		<u>375,676</u>			<u>63,388</u>	
ENDING FUND BALANCES		<u>\$574,511</u>			<u>\$44,837</u>	

OUTSIDE SERVICES			STATE LANDS			HAZMAT REVOLVING FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$10,126	\$3,545	(\$6,581)	\$163,059	\$299,626	\$136,567	\$40,000	\$17	\$17
1,000,000	598,931	(401,069)				40,600	600	
<u>1,010,126</u>	<u>602,476</u>	<u>(407,650)</u>	<u>163,059</u>	<u>299,626</u>	<u>136,567</u>	<u>40,000</u>	<u>40,617</u>	<u>617</u>
100,000		100,000						
700,000	578,419	121,581	104,520	58,369	46,151	40,000	40,617	(617)
200,000	20,512	179,488						
<u>1,000,000</u>	<u>598,931</u>	<u>401,069</u>	<u>104,520</u>	<u>58,369</u>	<u>46,151</u>	<u>40,000</u>	<u>40,617</u>	<u>(617)</u>
<u>10,126</u>	<u>3,545</u>	<u>(6,581)</u>	<u>58,539</u>	<u>241,257</u>	<u>182,718</u>			
<u>(10,126)</u>	<u>(3,545)</u>	<u>6,581</u>	<u>(58,539)</u>	<u>(241,257)</u>	<u>(182,718)</u>			
<u>(10,126)</u>	<u>(3,545)</u>	<u>6,581</u>	<u>(58,539)</u>	<u>(241,257)</u>	<u>(182,718)</u>			
<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
	<u>=====</u>			<u>=====</u>			<u>=====</u>	
	<u>=====</u>			<u>=====</u>			<u>=====</u>	

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CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>ADMINISTRATIVE TRUST FUND</u>			<u>EMERGENCY DISASTER FUND</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental				\$500,000	\$34,590	(\$465,410)
Use of money and property	\$10,000	\$3,671	(\$6,329)			
Charges for services						
Other	6,000	17,585	11,585			
Total Revenues	<u>16,000</u>	<u>21,256</u>	<u>5,256</u>	<u>500,000</u>	<u>34,590</u>	<u>(465,410)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services	6,000	17,585	(11,585)			
Public works				1,000,000	327,206	672,794
Nondepartmental						
Capital outlay						
Total Expenditures	<u>6,000</u>	<u>17,585</u>	<u>(11,585)</u>	<u>1,000,000</u>	<u>327,206</u>	<u>672,794</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,000</u>	<u>3,671</u>	<u>(6,329)</u>	<u>(500,000)</u>	<u>(292,616)</u>	<u>207,384</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				1,000,000	1,000,000	
Transfers (out)	(10,000)	(3,671)	6,329			
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(3,671)</u>	<u>6,329</u>	<u>1,000,000</u>	<u>1,000,000</u>	
NET CHANGE IN FUND BALANCES	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$500,000</u></u>	<u><u>707,384</u></u>	<u><u>\$207,384</u></u>
BEGINNING FUND BALANCES					336,745	
ENDING FUND BALANCES					<u><u>\$1,044,129</u></u>	

NLP NUISANCE ABATEMENT FUND

<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$3,650	\$2,633	(\$1,017)
	46,456	46,456
<u>200,000</u>	<u>100,395</u>	<u>(99,605)</u>
<u>203,650</u>	<u>149,484</u>	<u>(54,166)</u>
240,000	39,880	200,120
<u>240,000</u>	<u>39,880</u>	<u>200,120</u>
<u>(36,350)</u>	<u>109,604</u>	<u>145,954</u>
<u>(\$36,350)</u>	109,604	<u>\$145,954</u>
	<u>304,022</u>	
	<u>\$413,626</u>	



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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.

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

	Fleet Maintenance/ Replacement	Self- Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
ASSETS					
Cash and investments	\$6,405,895	\$19,746,840	\$1,569,941	\$179,423	\$27,902,099
Accounts receivable	3,795		24,885		28,680
Due from other funds		918,022			918,022
Materials, parts, and supplies	182,238				182,238
Capital assets, net	6,712,297				6,712,297
Total Assets	13,304,225	20,664,862	1,594,826	179,423	35,743,336
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	265,898	170,406			436,304
Related to OPEB	63,364	26,908		3,454,640	3,544,912
Total Deferred Outflows of Resources	329,262	197,314		3,454,640	3,981,216
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	110,304	19,568	1,576,563		1,706,435
Claims payable, current		3,828,996			3,828,996
Employee benefits payable, current	51,886	10,719	18,263		80,868
Current liabilities	162,190	3,859,283	1,594,826		5,616,299
Long-term liabilities:					
Claims payable		13,432,004			13,432,004
Employee benefits payable, long term				197,714	197,714
Net pension liability	2,399,283	581,501			2,980,784
Net OPEB liability	393,031	166,904		21,428,321	21,988,256
Total Liabilities	2,954,504	18,039,692	1,594,826	21,626,035	44,215,057
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	15,033	8,883			23,916
Related to OPEB	6,278	2,666		342,280	351,224
Total Deferred Inflows of Resources	21,311	11,549		342,280	375,140
NET POSITION (DEFICITS)					
Net investment in capital assets	6,712,297				6,712,297
Unrestricted	3,945,375	2,810,935		(18,334,252)	(11,577,942)
Total Net Position (Deficits)	\$10,657,672	\$2,810,935		(\$18,334,252)	(\$4,865,645)

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Fleet Maintenance/ Replacement	Self- Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
OPERATING REVENUES					
Charges for services	\$4,221,539	\$7,836,234		\$4,743,139	\$16,800,912
Other	27,998				27,998
Total operating revenues	4,249,537	7,836,234		4,743,139	16,828,910
OPERATING EXPENSES					
Operating expenses	2,675,441	2,087,498		3,601,781	8,364,720
Insurance and claims		6,594,314			6,594,314
Depreciation	1,375,334				1,375,334
Total operating expenses	4,050,775	8,681,812		3,601,781	16,334,368
Operating income (loss)	198,762	(845,578)		1,141,358	494,542
NONOPERATING REVENUES (EXPENSES)					
Investment income (expense)	39,184	103,906		3,358	146,448
Gain on sale of assets	134,785				134,785
Total nonoperating revenues (expenses)	173,969	103,906		3,358	281,233
Income (loss) before transfers	372,731	(741,672)		1,144,716	775,775
Transfers in		750,000			750,000
Change in net position	372,731	8,328		1,144,716	1,525,775
BEGINNING NET POSITION (DEFICIT), AS RESTATED	10,284,941	2,802,607		(19,478,968)	(6,391,420)
ENDING NET POSITION (DEFICIT)	\$10,657,672	\$2,810,935		(\$18,334,252)	(\$4,865,645)

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Fleet Maintenance/ Replacement	Self- Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$4,260,446	\$7,843,734	\$2,317,382	\$4,743,139	\$19,164,701
Payments to suppliers	(1,678,258)	(617,938)			(2,296,196)
Payments to or on behalf of employees	(921,402)	(1,543,973)	(942,245)	(4,968,002)	(8,375,622)
Claims paid		(4,824,314)			(4,824,314)
Cash Flows from Operating Activities	1,660,786	857,509	1,375,137	(224,863)	3,668,569
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts (payments)		750,000			750,000
Intergovernmental receipts (payments)		911,613			911,613
Cash Flows from Noncapital Financing Activities		1,661,613			1,661,613
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	134,785				134,785
Acquisition of capital assets	(2,064,331)				(2,064,331)
Cash Flows from Capital and Related Financing Activities	(1,929,546)				(1,929,546)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	39,184	103,906		3,358	146,448
Cash Flows from Investing Activities	39,184	103,906		3,358	146,448
Net Cash Flows	(229,576)	2,623,028	1,375,137	(221,505)	3,547,084
Cash and investments at beginning of period	6,635,471	17,123,812	194,804	400,928	24,355,015
Cash and investments at end of period	<u>\$6,405,895</u>	<u>\$19,746,840</u>	<u>\$1,569,941</u>	<u>\$179,423</u>	<u>\$27,902,099</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$198,762	(\$845,578)		\$1,141,358	\$494,542
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	1,375,334				1,375,334
Change in assets and liabilities:					
Receivables, net	10,909	7,500	(\$4,097)		14,312
Other assets	(3,397)				(3,397)
Accounts payable and accrued liabilities	(969)	(38,364)	1,550,098		1,510,765
Employee benefits payable	1,324	(3,006)	(170,864)	(10,182,050)	(10,354,596)
Net pension liability and deferred outflows/inflows of resources related to pensions	101,468	(23,427)			78,041
Net OPEB liability and deferred outflows/inflows of resources related to OPEB	(22,645)	(9,616)		8,815,829	8,783,568
Claims payable		1,770,000			1,770,000
Cash Flows from Operating Activities	\$1,660,786	\$857,509	\$1,375,137	(\$224,863)	\$3,668,569

AGENCY FUNDS

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

The City's Agency Funds include the Improvement Districts and Assessment Districts Agency Funds. These funds account for the collection of assessment and the disbursement to district bond holders for debt without City commitment.

CITY OF VALLEJO
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>NE Quadrant Assessment District 2003-B</u>				
<u>Assets</u>				
Cash and investments	\$41,487	\$228	\$4,500	\$37,215
Total Assets	<u>\$41,487</u>	<u>\$228</u>	<u>\$4,500</u>	<u>\$37,215</u>
<u>Liabilities</u>				
Due to property owners	\$41,487	\$228	\$4,500	\$37,215
Total Liabilities	<u>\$41,487</u>	<u>\$228</u>	<u>\$4,500</u>	<u>\$37,215</u>
<u>Hiddenbrooke Improvement District</u>				
<u>Assets</u>				
Cash and investments	\$3,306,027	\$1,699,135	\$1,662,140	\$3,343,022
Restricted cash and investments	3,193,979	25,825	77,482	3,142,322
Total Assets	<u>\$6,500,006</u>	<u>\$1,724,960</u>	<u>\$1,739,622</u>	<u>\$6,485,344</u>
<u>Liabilities</u>				
Due to bondholders	\$6,500,006	\$1,724,960	\$1,739,622	\$6,485,344
Total Liabilities	<u>\$6,500,006</u>	<u>\$1,724,960</u>	<u>\$1,739,622</u>	<u>\$6,485,344</u>

CITY OF VALLEJO
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>NE Quadrant Improvement District 2003-01</u>				
<u>Assets</u>				
Cash and investments	\$463,947	\$524,263	\$507,562	\$480,648
Restricted cash and investments	505,061	4,292	2,493	506,860
Total Assets	<u>\$969,008</u>	<u>\$528,555</u>	<u>\$510,055</u>	<u>\$987,508</u>
<u>Liabilities</u>				
Due to bondholders	\$969,008	\$528,555	\$510,055	\$987,508
Total Liabilities	<u>\$969,008</u>	<u>\$528,555</u>	<u>\$510,055</u>	<u>\$987,508</u>
 <u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$3,811,461	\$2,223,626	\$2,174,202	\$3,860,885
Restricted cash and investments held with fiscal agent	3,699,040	30,117	79,975	3,649,182
Total Assets	<u>\$7,510,501</u>	<u>\$2,253,743</u>	<u>\$2,254,177</u>	<u>\$7,510,067</u>
<u>Liabilities</u>				
Due to bondholders	\$7,469,014	\$2,253,515	\$2,249,677	\$7,472,852
Due to property owners	41,487	228	4,500	37,215
Total Liabilities	<u>\$7,510,501</u>	<u>\$2,253,743</u>	<u>\$2,254,177</u>	<u>\$7,510,067</u>



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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 wellbeing have changed over time:

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and sales tax:

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Taxes Rates
- Top 10 Principal Property Tax Payers
- Property Tax Levies and Collections
- Taxable Sales by Category
- Top 25 Principal Sales Tax Payers

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:

- Ratios of Outstanding Debt by Type
- Ratio of General Bonded Debt Outstanding
- Direct and Overlapping Debt
- Legal Debt Margin Information
- Pledged Revenue Coverage

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:

- Demographic and Economic Statistics
- Top 10 Principal Employers
- Full-time and Part-time 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:

- Operating Indicators by Function
- Capital Asset Statistics by Function

Sources

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



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Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net Investment in Capital Assets	\$ 266,223,475	\$ 273,408,041	\$ 300,254,819	\$ 319,101,434	\$ 317,984,723	\$ 318,630,233	\$ 313,312,203	\$ 314,654,942	\$ 318,636,371	\$ 316,622,007
Restricted	85,263,689	81,295,175	84,076,839	67,066,468	65,402,869	70,125,586	65,421,676	68,373,151	70,545,240	69,927,367
Unrestricted	(26,867,493)	(17,973,163)	(16,698,219)	(949,135)	356,086	9,621,946	(191,225,009)	(177,003,436)	(174,091,484)	(187,401,484)
Total governmental activities net position	\$ 324,619,671	\$ 336,730,053	\$ 367,633,439	\$ 385,218,767	\$ 383,743,678	\$ 398,377,765	\$ 187,508,870	\$ 206,024,657	\$ 215,090,127	\$ 199,147,890
Business-type activities:										
Net Investment in Capital Assets	\$ 203,332,924	\$ 197,992,367	\$ 218,549,566	\$ 70,577,833	\$ 39,076,148	\$ 40,466,687	\$ 38,170,671	\$ 40,191,379	\$ 40,778,629	\$ 44,251,622
Restricted	41,511,141	43,848,953	42,434,217	4,541,278	4,306,908	5,253,775	5,253,774	5,253,836	5,258,610	5,274,585
Unrestricted	38,002,659	33,507,221	41,110,758	24,728,431	20,942,101	23,707,740	1,294,897	(75,800)	1,842,145	(4,749,417)
Total business-type activities net position	\$ 282,846,724	\$ 275,348,541	\$ 302,094,541	\$ 99,847,542	\$ 64,325,157	\$ 69,428,202	\$ 44,719,342	\$ 45,369,415	\$ 47,879,384	\$ 44,776,790
Primary government:										
Net Investment in Capital Assets	\$ 469,556,399	\$ 471,400,408	\$ 518,804,385	\$ 389,679,267	\$ 357,060,871	\$ 359,096,920	\$ 351,482,874	\$ 354,846,321	\$ 359,415,000	\$ 360,873,629
Restricted	126,774,830	125,144,128	126,511,056	71,607,746	69,709,777	75,379,361	70,675,450	73,626,987	75,803,850	75,201,952
Unrestricted	11,135,166	15,534,058	24,412,539	23,779,296	21,298,187	33,329,686	(189,930,112)	(177,079,236)	(172,249,339)	(192,150,901)
Total primary government net position	\$ 607,466,395	\$ 612,078,594	\$ 669,727,980	\$ 485,066,309	\$ 448,068,835	\$ 467,805,967	\$ 232,228,212	\$ 251,394,072	\$ 262,969,511	\$ 243,924,680

Notes: ¹ Effective fiscal year 2013 and beyond, the presentation of some financial data has changed to reflect the effects of the implementation of GASB 61 which eliminated the inclusion of the Vallejo Sanitation and Flood Control District as part of the primary government. This results in the financial activities of the Vallejo Sanitation and Flood Control District being discretely presented in the Component Unit column of the Statement of Net Position and the Statement of Activities. The City did not retroactively restate the amounts prior to FY 2013 for the Net Position related to the implementation of GASB 61.

² The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

³ The City implemented the provisions of GASB Statement 68 in fiscal year 2015. Prior amounts have not been restated.

⁴ The City implemented the provisions of GASB Statement 75 in fiscal year 2018. Prior amounts have not been restated.

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
Legislative and Advisory	\$ 230,008	\$ 125,753	\$ 181,654	\$ 220,581	\$ 304,333	\$ 213,736	\$ 268,785	\$ 257,208	\$ 244,300	\$ 342,413
Executive	515,508	922,039	513,771	2,442,285	3,012,974	3,844,344	3,817,882	2,386,112	2,795,092	3,217,242
Finance	1,843,470	1,631,483	1,654,657	798,688	1,382,283	1,770,592	1,654,071	2,009,568	2,046,341	2,296,973
Human Resources	500,773	499,447	556,953	962,813	1,026,415	930,294	1,034,655	1,390,288	988,831	1,382,503
Law	907,159	760,735	719,025	503,754	1,158,594	1,079,614	694,447	976,895	1,289,690	1,678,985
Development Services	2,612,545	1,986,757	2,616,595	2,346,911	2,180,055	2,504,558	2,701,130	2,954,366	2,925,237	3,572,495
Community Development	38,289,355	39,370,106	36,122,330	27,382,802	33,586,418	32,366,219	26,801,601	27,801,563	27,348,207	29,503,111
Fire services	24,629,574	15,796,657	17,484,072	19,054,650	23,480,073	23,628,510	24,689,484	24,573,111	27,384,860	31,978,352
Police services	37,381,874	29,586,690	29,812,069	32,241,212	37,952,439	31,968,288	36,412,375	38,994,284	42,345,792	50,291,924
Public Works	22,384,992	19,014,211	19,003,755	20,936,214	23,495,632	24,633,518	35,650,143	29,491,475	29,016,544	30,289,374
Nondepartmental	11,426,993	9,251,587	5,000,249	5,134,037	-	-	-	-	-	-
Interest on long-term debt	2,506,891	2,764,194	2,223,807	766,981	209,054	196,404	541,370	462,398	438,450	414,286
Total governmental activities expenses	143,229,142	121,709,659	115,888,937	112,790,928	127,788,270	123,136,077	134,265,943	131,297,268	136,823,344	154,967,658
Business-type activities:										
Water	33,749,246	34,493,370	32,056,326	32,420,781	33,770,385	34,534,260	35,075,642	34,856,203	35,523,887	37,447,808
Local Transportation	28,008,014	27,091,545	29,226,639	18,138,000	2,612,944	-	-	-	-	-
Sanitation & Flood Control	28,865,210	29,261,276	29,284,313	-	-	-	-	-	-	-
Other proprietary funds	4,148,159	3,793,179	3,493,484	2,105,913	5,351,278	5,230,382	6,447,594	5,622,800	6,135,549	6,734,578
Total business-type activities expenses	94,770,629	94,639,370	94,060,762	52,664,694	41,734,607	39,764,642	41,523,236	40,479,003	41,659,436	44,182,386
Total primary government expenses	\$ 237,999,771	\$ 216,349,029	\$ 209,949,699	\$ 165,455,622	\$ 169,522,877	\$ 162,900,719	\$ 175,789,179	\$ 171,776,271	\$ 178,482,780	\$ 199,150,044
Program Revenues										
Governmental activities:										
Charges for services	\$ 18,552,714	\$ 16,037,875	\$ 18,833,908	\$ 16,987,109	\$ 15,462,878	\$ 18,819,481	\$ 24,461,121	\$ 24,632,362	\$ 24,510,980	\$ 25,711,785
Operating grants and contributions	20,365,355	33,498,552	32,390,912	36,777,286	35,971,107	38,596,729	26,535,944	26,731,559	27,598,297	30,006,058
Capital grants and contributions	6,359,992	14,604,908	25,998,119	14,626,104	6,925,849	5,661,868	3,476,887	8,851,629	5,362,544	2,138,551
Total governmental activities program revenues	45,278,061	64,141,335	77,222,939	68,390,499	58,359,834	63,078,078	54,473,952	60,215,550	57,471,821	57,856,394
Business-type activities:										
Charges for services	68,630,750	67,662,779	70,644,225	41,983,768	39,543,209	42,589,807	39,476,107	37,578,399	37,952,387	45,037,505
Operating grants and contributions	13,279,238	13,953,527	17,808,014	7,735,861	350,876	-	22,479	25,847	123,279	-
Capital grants and contributions	6,467,283	4,749,758	29,597,531	10,549,196	2,116,548	331,315	1,197,727	1,383,466	3,374,785	1,018,049
Total business-type activities program revenues	88,377,271	86,366,064	118,049,770	60,268,825	42,010,633	42,921,122	40,696,313	38,987,712	41,450,451	46,055,554
Total primary government program revenues	\$ 133,655,332	\$ 150,507,399	\$ 195,272,709	\$ 128,659,324	\$ 100,370,467	\$ 105,999,200	\$ 95,170,265	\$ 99,203,262	\$ 98,922,272	\$ 103,911,948
Net revenue/(expense)										
Governmental activities	\$ (97,951,081)	\$ (57,568,324)	\$ (38,665,998)	\$ (44,400,429)	\$ (69,428,436)	\$ (60,057,999)	\$ (79,791,991)	\$ (71,081,718)	\$ (79,351,523)	\$ (97,111,264)
Business-type activities	(6,393,358)	(8,273,306)	23,989,008	7,604,131	276,026	3,156,480	(826,923)	(1,491,291)	(208,985)	1,873,168
Total primary government net expense	\$ (104,344,439)	\$ (65,841,630)	\$ (14,676,990)	\$ (36,796,298)	\$ (69,152,410)	\$ (56,901,519)	\$ (80,618,914)	\$ (72,573,009)	\$ (79,560,508)	\$ (95,238,096)

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
(Continued)										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 17,612,113	\$ 14,455,331	\$ 13,392,935	\$ 14,143,780	\$ 14,484,918	\$ 14,346,058	\$ 15,694,198	\$ 16,956,367	\$ 18,234,843	\$ 19,379,799
Incremental property taxes	3,591,154	3,280,994	3,061,230	1,790,418	-	-	-	-	-	-
Sales taxes	11,480,014	10,715,183	11,067,013	14,360,808	24,685,817	25,583,330	26,857,325	27,767,194	29,276,208	29,626,711
Utility user taxes	13,057,518	12,916,339	12,890,539	12,792,738	12,521,558	12,610,733	12,627,342	12,994,432	13,339,264	13,107,158
Motor vehicles / In lieu property tax	9,905,427	8,313,033	8,259,104	7,478,690	7,156,707	7,640,132	8,365,437	8,526,690	9,085,386	9,685,054
Other taxes	10,406,286	9,434,521	9,424,070	9,671,662	9,212,120	9,948,063	10,654,921	12,979,029	14,888,721	15,255,443
Mare Island CFD Assessments	5,022,136	3,499,675	2,099,096	-	-	-	-	-	-	-
Investment earnings	2,826,200	968,998	1,579,810	1,282,961	419,817	679,347	1,376,228	1,765,281	849,111	902,408
Gain on sale of capital assets	-	-	-	-	-	102,447	21,700	173,859	89,852	134,785
Insurance recoveries	-	-	-	-	-	-	913,838	-	-	-
Miscellaneous	4,038,522	3,824,312	4,002,078	3,435,245	3,874,022	3,837,952	5,364,701	4,868,998	5,604,775	5,241,492
Capital contributions from developers	-	-	6,917,609	-	-	-	-	-	-	-
Debt Restructuring Adjustment	-	-	-	1,075,176	-	-	-	-	-	-
Assets transferred to/liabilities assumed by Successor Agency	-	-	-	(4,483,759)	-	1,535,778	2,458,682	5,293,678	(425,935)	-
Transfers	(621,487)	2,270,320	(372,100)	438,038	(4,401,612)	(1,591,754)	(2,685,186)	(1,728,023)	(2,654,217)	(2,152,823)
Total governmental activities	77,317,883	69,678,706	72,321,384	61,985,757	67,953,347	74,692,086	81,649,186	89,597,505	88,288,008	91,180,027
Business-type activities:										
Investment earnings	(2,857,059)	2,930,362	1,358,973	401,785	106,369	354,811	251,358	413,341	64,737	203,147
Miscellaneous	171,513	115,081	1,025,919	-	87,023	-	-	-	-	-
Gain or (Loss) on sales or transfer of assets	-	-	-	(19,034,732)	(40,393,415)	-	-	-	-	-
Insurance recoveries	-	-	-	-	-	-	69,208	-	-	-
Debt Restructuring Adjustment	-	-	-	625,498	-	-	-	-	-	-
Transfers	621,487	(2,270,320)	372,100	(438,038)	4,401,612	1,591,754	2,685,186	1,728,023	2,654,217	2,152,823
Special Item(s) - see notes	-	-	-	-	-	-	-	-	-	(2,832,157)
Total business-type activities	(2,064,059)	775,123	2,756,992	(18,445,487)	(35,798,411)	1,946,565	3,005,752	2,141,364	2,718,954	(476,187)
Total primary government	\$ 75,253,824	\$ 70,453,829	\$ 75,078,376	\$ 43,540,270	\$ 32,154,936	\$ 76,638,651	\$ 84,654,938	\$ 91,738,869	\$ 91,006,962	\$ 90,703,840
Change in Net Position										
Governmental activities	\$ (20,633,198)	\$ 12,110,382	\$ 33,655,386	\$ 17,585,328	\$ (1,475,089)	\$ 14,634,087	\$ 1,857,195	\$ 18,515,787	\$ 8,936,485	\$ (5,931,237)
Business-type activities	(8,457,417)	(7,498,183)	26,746,000	(10,841,356)	(35,522,385)	5,103,045	2,178,829	650,073	2,509,969	1,396,981
Total primary government	\$ (29,090,615)	\$ 4,612,199	\$ 60,401,386	\$ 6,743,972	\$ (36,997,474)	\$ 19,737,132	\$ 4,036,024	\$ 19,165,860	\$ 11,446,454	\$ (4,534,256)

Notes: ¹ Effective fiscal year 2013 and beyond, the presentation of some financial data has changed to reflect the effects of the implementation of GASB 61 which eliminated the inclusion of the Vallejo Sanitation and Flood Control District as part of the primary government. This results in the financial activities of the Vallejo Sanitation and Flood Control District being discretely presented in the Component Unit column of the Statement of Net Position and the Statement of Activities. The City did not retroactively restate the amounts prior to FY 2013 for the Net Position related to the implementation of GASB 61.

² The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

³ The City implemented the provisions of GASB Statement 68 in fiscal year 2015. Prior amounts have not been restated.

⁴ In fiscal year 2018, the City of American Canyon rescinded its decision to exercise an option to purchase additional water capacity rights from the City of Vallejo. A loan in the amount of \$2,832,157 (representing prior year revenue) was written off and presented as a special item.

175

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2009	2010	2011 ²	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 1,928,641	\$ 2,004,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,397,227	3,834,873	-	-	-	-	-	-	-	-
Nonspendable	-	-	6,509,043	1,315,581	1,303,621	1,294,967	1,315,114	2,192,050	2,152,578	2,141,630
Restricted	-	-	208,435	242,919	241,179	249,697	271,572	272,885	320,738	2,269,039
Committed	-	-	350,685	381,709	356,245	2,617,267	2,691,002	2,251,472	1,235,078	6,810
Assigned	-	-	304,729	9,874,285	5,233,259	7,910,909	9,302,184	11,102,326	10,993,484	4,208,034
Unassigned	-	-	6,340,374	11,084,523	9,797,270	6,944,336	7,976,200	9,929,786	15,679,786	21,235,769
Total General Fund	<u>\$ 4,325,868</u>	<u>\$ 5,839,440</u>	<u>\$ 13,713,266</u>	<u>\$ 22,899,017</u>	<u>\$ 16,931,574</u>	<u>\$ 19,017,176</u>	<u>\$ 21,556,072</u>	<u>\$ 25,748,519</u>	<u>\$ 30,381,664</u>	<u>\$ 29,861,282</u> ¹
All Other Governmental Funds										
Reserved	\$ 88,606,846	\$ 83,361,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	98,115	4,249	-	-	-	-	-	-	-	-
Debt service funds	(5,530,905)	(5,530,904)	-	-	-	-	-	-	-	-
Capital projects funds	780,658	1,327,530	-	-	-	-	-	-	-	-
Nonspendable	-	-	3,898,072	102,072	102,072	240,832	102,072	71,236	78,324	67,625
Restricted	-	-	75,195,891	54,463,122	52,151,109	55,992,171	55,838,343	58,248,081	60,205,695	61,118,236
Committed	-	-	1,890,263	3,087,235	9,799,861	9,045,767	6,028,419	6,806,813	8,924,377	16,777,334
Assigned	-	-	2,423	1,883	3,088	196,806	5,938,342	5,961,263	4,414,547	4,987,289
Unassigned	-	-	(6,390,906)	-	-	-	-	-	-	(9,438)
Total all other governmental funds	<u>\$ 83,954,714</u>	<u>\$ 79,162,215</u>	<u>\$ 74,595,743</u>	<u>\$ 57,654,312</u>	<u>\$ 62,056,130</u>	<u>\$ 65,475,576</u>	<u>\$ 67,907,176</u>	<u>\$ 71,087,393</u>	<u>\$ 73,622,943</u>	<u>\$ 82,941,046</u> ¹

Note: ¹ The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis

² The City implemented the provisions of GASB Statement No. 54 in fiscal year 2011, and years prior to 2011 have not been restated to conform with the new presentation

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Taxes	\$ 55,815,958	\$ 50,538,624	\$ 49,449,077	\$ 51,936,540	\$ 61,132,188	\$ 62,488,184	\$ 65,751,608	\$ 70,410,583	\$ 75,422,419	\$ 77,629,274
Licenses and permits	2,440,614	3,479,468	2,758,651	2,356,064	1,814,364	2,457,440	3,741,906	4,026,167	4,034,816	3,985,042
Fines and forfeitures	1,560,809	1,619,074	1,718,092	2,726,824	1,249,687	2,337,703	1,876,686	1,878,579	1,605,515	1,706,754
Intergovernmental	36,743,052	54,205,823	66,450,139	53,299,532	47,132,738	50,356,902	41,097,037	45,197,746	43,606,471	42,460,083
Investment income	4,520,458	3,114,627	3,391,067	3,328,151	2,363,471	2,962,200	4,556,124	3,696,181	3,378,893	3,090,518
Charges for services	20,026,448	16,032,936	14,276,523	14,742,402	16,182,809	16,714,747	18,866,133	19,429,149	20,257,999	21,270,315
Other	841,040	1,364,069	1,329,468	3,249,481	1,295,826	505,843	1,320,781	1,426,715	1,004,441	861,713
Total revenues	121,948,379	130,354,621	139,373,017	131,638,994	131,171,083	137,823,019	137,210,275	146,065,120	149,310,554	151,003,699
Expenditures										
Current:										
Legislative and Advisory	215,485	152,693	180,050	219,289	275,664	207,903	264,854	294,088	298,748	296,548
Executive	621,003	958,688	530,814	2,221,478	2,747,243	3,600,970	3,794,952	2,641,913	2,758,675	2,689,380
Finance	1,696,164	1,696,193	1,658,660	934,626	1,183,251	1,636,027	1,636,916	2,102,912	2,047,751	1,806,258
Human resources	553,254	542,961	542,742	986,692	993,835	868,575	1,017,017	1,431,434	1,023,566	1,200,631
Law	863,429	812,432	702,882	592,192	1,027,329	1,116,788	692,338	1,133,882	1,272,898	1,272,770
Development services	2,633,028	2,090,980	2,640,564	2,426,783	1,878,237	2,604,498	2,755,399	3,047,840	2,955,960	3,191,261
Community Development	38,999,888	40,552,499	35,884,630	32,372,627	32,516,830	31,197,117	26,476,837	26,457,500	26,505,452	28,619,020
Fire services	23,107,207	18,850,438	17,367,449	18,110,162	20,917,691	23,462,547	24,645,684	25,569,791	26,514,402	27,557,155
Police services	34,354,261	29,024,674	29,247,704	30,774,361	34,681,714	34,139,510	36,807,817	39,698,362	41,240,618	42,639,055
Public works	12,713,924	11,106,223	11,566,388	12,292,557	13,210,589	14,543,079	16,976,530	15,123,636	14,870,274	16,658,784
Nondepartmental	11,426,993	9,251,587	5,000,249	5,134,037	12,171,647	7,516,587	4,118,675	4,552,327	5,879,195	6,170,178
Capital Outlay	7,499,257	14,492,613	26,647,150	13,321,436	9,716,431	8,826,479	12,543,661	14,073,942	11,326,920	5,930,613
Debt service:										
Principal	1,464,697	1,767,835	1,324,504	6,033,970	275,131	397,268	746,689	927,301	963,929	988,971
Interest	2,392,481	2,257,120	1,306,025	766,981	204,899	186,276	358,575	343,902	307,273	282,531
Total expenditures	138,541,071	133,556,936	134,599,811	126,187,191	131,800,491	130,303,624	132,835,944	137,398,830	137,965,661	139,303,155
Excess (deficiency) of revenues over (under) expenditures	(16,592,692)	(3,202,315)	4,773,206	5,451,803	(629,408)	7,519,395	4,374,331	8,666,290	11,344,893	11,700,544
Other financing sources (uses):										
Gain (loss) on sale of assets	-	381,327	119,428	-	-	44,352	-	71,185	-	-
Transfers in	5,783,696	8,361,940	7,905,371	10,500,436	10,277,326	7,321,809	6,363,953	6,021,537	7,296,515	12,306,875
Transfers out	(6,297,601)	(7,091,620)	(9,566,511)	(11,112,398)	(11,293,235)	(9,380,508)	(9,549,139)	(8,249,560)	(10,730,521)	(15,209,698)
Proceeds from long-term debt issuance	-	1,023,741	75,860	78,766	79,692	-	-	-	-	-
Provision for collectability	-	(2,752,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(513,905)	(76,612)	(1,465,852)	(533,196)	(936,217)	(2,014,347)	(3,185,186)	(2,156,838)	(3,434,006)	(2,902,823)
Extraordinary/Special Item:										
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor	-	-	-	(12,674,287)	-	-	3,781,351	863,212	(871,177)	-
Net change in fund balances	\$ (17,106,597)	\$ (3,278,927)	\$ 3,307,354	\$ (7,755,680)	\$ (1,565,625)	\$ 5,505,048	\$ 4,970,496	\$ 7,372,664	\$ 7,039,710	\$ 8,797,721
Beginning fund balance	\$105,387,179	\$ 88,280,582	\$ 85,001,655	\$ 88,309,009	\$ 80,553,329	\$ 78,987,704	\$ 84,492,752	\$ 89,463,248	\$ 96,835,912	\$104,004,607
Prior period adjustments	-	-	-	-	-	-	-	-	128,985	-
Ending fund balance	\$ 88,280,582	\$ 85,001,655	\$ 88,309,009	\$ 80,553,329	\$ 78,987,704	\$ 84,492,752	\$ 89,463,248	\$ 96,835,912	\$104,004,607	\$112,802,328
Debt service as a percentage of noncapital expenditures	3%	3%	2%	6%	0%	0%	1%	1%	1%	1%

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30	City					Former Agency / Successor Agency to Redevelopment Agency 1					Total Direct Tax Rate
	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	
2009	\$ 10,017,721,922	\$ 218,039,859	\$ 130,670	\$ (702,322,165)	\$ 9,533,570,286	\$ 363,508,768	\$ 70,359,276	\$ 168,820	\$ (44,383,622)	\$ 389,653,242	0.24622%
2010	8,334,230,762	205,436,106	130,670	(810,607,027)	7,729,190,511	336,214,268	67,421,432	168,820	(48,687,967)	355,116,553	0.24622%
2011	7,988,586,847	218,037,092	130,670	(956,462,720)	7,250,291,889	320,815,890	63,140,016	168,820	(48,616,563)	335,508,163	0.24622%
2012	7,740,206,643	200,451,644	130,670	(939,219,031)	7,001,569,926	334,138,674	61,058,136	168,820	(52,623,635)	342,741,995	0.24622%
2013	7,386,493,615	218,701,022	113,370	(289,480,094)	7,315,827,913	322,746,509	58,076,187	132,592	(48,641,023)	332,314,265	0.24622%
2014	8,014,862,817	198,012,673	113,370	(974,787,981)	7,238,200,879	321,057,973	53,344,811	132,592	(55,306,295)	319,229,081	0.24622%
2015	8,790,923,985	215,615,952	113,370	(990,126,778)	8,016,526,529	343,524,473	52,435,017	132,592	(55,876,943)	340,215,139	0.24622%
2016	9,367,567,455	208,385,912	113,370	(1,014,346,016)	8,561,720,721	361,136,586	54,225,181	132,592	(51,564,900)	363,929,459	0.24622%
2017	9,898,936,162	254,304,736	139,100	(1,026,877,027)	9,126,502,971	381,547,374	60,418,999	132,692	(58,114,553)	383,984,512	0.24622%
2018	10,530,383,770	232,725,017	139,100	(1,044,877,040)	9,718,370,847	412,347,893	63,744,878	132,692	(56,382,967)	419,842,496	0.24622%

NOTES:
 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%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

¹ The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012. The Redevelopment Successor Agency financial transactions are reported in a separate trust fund.

Source: County Assessor's Office
 HDL Property Report

**Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)**

Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Direct Rates:										
City basic rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622
Total City Direct Rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622
Overlapping Rates:										
Acc Capital Outlay	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807
Aviation	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119
BAAQMD	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219
County Free Library	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743
County General	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331
County School Service Fund Support	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134
County Support-Board of Education	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334
Development Center	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217
GVRD	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490
Library Special Tax Zone 7	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365
Mosquito Abatement	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587
Recreation	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203
Solano Community College M&O	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758
Solano County Water Agency	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527
Vallejo Unified School District M&O	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069
VSFCD Operating	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474
Total Prop. 13 Direct Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
SC Fld State Wtr Pj Zone Ben #1	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000
Vallejo U.S.D. 2002-A GOB Refunding	0.03958	0.05369	0.07544	0.06555	0.06576	0.06850	0.06358	0.06144	0.06092	0.05450
Vallejo U.S.D. Measure A 2002	0.01571	0.01885	0.01741	0.01609	0.01261	0.01250	0.00853	0.00730	0.00660	-
SCC GOB Series 2005-A	0.01240	0.01538	0.01636	0.01711	0.01768	0.01820	0.01299	-	-	-
Vallejo U.S.D. Measure A 2004	0.00962	0.01219	0.01258	0.01258	0.01187	0.01305	0.01086	0.01007	0.00943	-
Vallejo U.S.D. Measure A - 2006	0.00993	0.00494	0.00804	0.00649	0.00646	0.00711	0.00588	0.00544	0.00519	-
SCC GOB Series 2006B	0.00258	0.00309	0.00309	0.00304	0.00292	0.00276	0.00208	0.00178	0.00086	0.00082
SCC GOB 2012 Series A	-	-	-	-	-	0.01384	0.01337	0.01232	0.01297	0.00487
SCC GOB 2012 Series B	-	-	-	-	-	0.00475	0.00387	0.00326	0.00337	0.00293
SCC GOB 2014 Ref Series A	-	-	-	-	-	-	0.00131	0.00148	0.00218	0.00176
SCC GOB 2014 Ref Series B	-	-	-	-	-	-	0.00309	0.01607	0.01566	0.01405
Vallejo USD 2017 GOB Refunding	-	-	-	-	-	-	-	-	-	0.01453
Total Voter Approved Rate	0.10981	0.12812	0.15292	0.14086	0.13730	0.16070	0.14556	0.13917	0.13718	0.11345
Total Direct Rate	1.10981	1.12812	1.15292	1.14086	1.13730	1.16070	1.14556	1.13917	1.13718	1.11345

NOTE:
In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for

Source: Solano County Auditor-Controller's Office

Top 10 Principal Property Tax Payers

Current Year and Nine Years Ago

Taxpayer	2018		2009	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Centro Watt Property Owner II	\$ 109,025,378	1.08%	\$ 71,086,350	0.72%
Park Management Corporation	84,522,160	0.83%	60,818,310	0.61%
Prime Ascot LP	60,531,021	0.60%		
Sundance- Vallejo	35,743,956	0.35%	31,596,963	0.32%
(George) Ogino LLC	32,136,795	0.32%		
MG Sterling Vill Apartment GWP	32,007,469	0.32%		
Chevron USA	31,405,222	0.31%		
Seabridge LLC	29,799,420	0.29%		
KW WDC Vallejo LLC	27,838,282	0.27%	33,381,609	0.34%
Urban Land Company	26,758,095	0.26%		
Deutsche Bank			51,412,972	0.52%
Hart Sterling Village Apartment			38,259,100	0.39%
Sutter Solano Medical Center			36,491,372	0.37%
Spyglass Apartments			29,653,923	0.30%
Belvedere Homes			28,511,363	0.29%
Lennar Mare Island LLC			27,042,891	0.27%
Top Ten Totals	\$ 469,767,798	4.63%	\$ 408,254,853	4.11%

The amounts shown above include assessed value data for both the City and the Successor Agency to the Redevelopment Agency.

Source: County Assessor's Office
HDL Report

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2009	\$ 18,650,665	\$ 18,392,684	98.62%	not available	not available	n.a.
2010	13,724,398	13,463,254	98.10%	not available	not available	n.a.
2011	14,988,824	14,721,738	98.22%	not available	not available	n.a.
2012	14,464,482	14,216,317	98.28%	not available	not available	n.a.
2013	13,895,641	13,649,602	98.23%	not available	not available	n.a.
2014	14,207,379	14,036,515	98.80%	not available	not available	n.a.
2015	15,455,643	15,302,850	99.01%	not available	not available	n.a.
2016	16,777,951	16,639,813	99.18%	not available	not available	n.a.
2017	17,871,269	17,701,555	99.05%	not available	not available	n.a.
2018	18,973,138	18,802,785	99.10%	not available	not available	n.a.

NOTE:

The amounts presented include only City property taxes (excluding Successor Redevelopment Agency tax increment).

Source: Solano County Auditor Controller's Office

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS

State Board of Equalization Major Business Categories	Calendar Yr 2008 Totals	Calendar Yr 2009 Totals	Calendar Yr 2010 Totals	Calendar Yr 2011 Totals	Calendar Yr 2012 Totals	Calendar Yr 2013 Totals	Calendar Yr 2014 Totals	Calendar Yr 2015 Totals	Calendar Yr 2016 Totals	Calendar Yr 2017 Totals	YTD % change
Retail Group											
Apparel Stores	\$ 359,513	\$ 369,543	\$ 360,763	\$ 345,862	\$ 605,365	\$ 758,982	\$ 729,060	\$ 774,468	\$ 824,990	\$ 885,616	7%
Auto Dealers and Supplies	1,998,036	1,470,319	1,513,273	1,631,711	3,350,870	4,810,138	5,141,839	5,689,553	6,015,344	5,854,553	-3%
Building Materials	720,223	644,770	662,073	746,590	1,300,322	1,690,133	1,720,598	1,872,305	2,029,294	2,201,144	8%
Drug Stores	172,695	167,018	176,892	191,552	338,120	395,157	471,278	496,641	707,335	778,821	10%
Eating and Drinking Places	1,125,658	1,067,025	1,059,653	1,115,102	2,050,277	2,483,150	2,665,448	2,906,373	3,186,830	3,365,913	6%
Food Stores	511,981	503,626	466,673	503,023	912,903	1,139,899	1,209,115	1,291,787	1,119,244	1,078,298	-4%
Furniture and Appliances	609,548	559,419	579,883	648,822	1,097,635	1,416,513	1,466,057	1,495,456	1,522,174	1,563,646	3%
General Merchandise	1,519,286	1,352,361	1,433,255	1,496,190	2,752,006	3,118,356	3,142,565	3,157,454	3,124,309	3,444,165	10%
Other Retail Stores	575,426	502,195	466,542	449,602	985,360	1,290,156	1,305,731	1,314,263	1,455,179	1,352,784	-7%
Packaged Liquor	84,533	84,430	82,831	86,022	158,442	180,317	209,710	239,682	456,275	499,274	9%
Service Stations	1,584,449	1,129,465	1,357,559	1,583,528	2,876,297	3,144,854	3,384,436	2,761,900	2,555,727	2,925,225	14%
Total Retail Group	9,261,348	7,850,171	8,159,397	8,798,004	16,427,597	20,427,655	21,445,837	21,999,882	22,996,701	23,949,439	4%
Non-Store & Part Time Retailers	23,761	18,852	21,303	4,923	42,407	55,142	46,717	51,216	51,364	57,387	12%
Business, Service & Repair Group	784,686	610,460	559,570	594,428	1,455,135	1,707,567	1,722,581	1,877,718	2,014,404	1,965,010	-2%
Manufacturer & Wholesaler Group											
Contractions & Material	363,377	357,909	163,573	204,032	275,750	257,457	361,198	357,650	401,239	504,756	26%
Drugs & Chemical	2,301	62	-	-	39,633	46,141	56,577	139,697	69,264	73,008	5%
Food/Farm Products & Equip	22,570	23,370	83,322	13,172	(27,521)	54,641	55,199	35,418	46,837	48,721	4%
Furniture & Textiles	5,627	3,186	1,483	1,578	9,266	15,756	19,400	18,527	20,396	27,061	33%
Heavy Industrial Equipment	252,867	211,939	119,087	148,636	251,122	234,838	246,794	213,383	265,169	349,111	32%
Industrial Equipment	194,877	99,609	101,367	76,267	227,485	295,961	316,909	370,663	288,567	271,420	-6%
All Other Equipment	5,706	22,102	3,497	4,252	296,596	420,478	404,424	487,063	494,907	422,262	-15%
Total Mfg & Wholesale Group	847,325	718,177	472,329	447,937	1,072,331	1,325,272	1,460,501	1,622,401	1,586,379	1,696,339	7%
State Adjustments & Transfers	140	(243)	(116)	(273)	509	5,675	3,205	(10,290)	10,508	(2,910)	-128%
Total Sales All Outlets	10,917,260	9,197,417	9,212,483	9,845,019	18,997,979	23,521,311	24,678,841	25,540,927	26,659,356	27,665,265	4%
Retail Group	9,261,348	7,850,171	8,159,397	8,798,004	16,427,597	20,427,655	21,445,837	21,999,882	22,996,701	23,949,439	4%
Non-Store & Part Time Retailers	23,761	18,852	21,303	4,923	42,407	55,142	46,717	51,216	51,364	57,387	12%
Business, Service & Repair Group	784,686	610,460	559,570	594,428	1,455,135	1,707,567	1,722,581	1,877,718	2,014,404	1,965,010	-2%
Manufacturer & Wholesaler Group	847,325	718,177	472,329	447,937	1,072,331	1,325,272	1,460,501	1,622,401	1,586,379	1,696,339	7%
State Adjustments & Transfers	140	(243)	(116)	(273)	509	5,675	3,205	(10,290)	10,508	(2,910)	-128%
Total Point of Sale	10,917,260	9,197,417	9,212,483	9,845,019	18,997,979	23,521,311	24,678,841	25,540,927	26,659,356	27,665,265	4%
County Pool	1,023,183	1,346,368	1,146,988	1,316,169	1,185,156	1,510,000	1,475,021	1,634,979	1,738,288	1,833,341	5%
State Pool	5,825	8,650	4,915	1,701	6,051	7,149	10,111	10,358	3,648	5,805	59%
Sales Tax Receipts	11,946,268	10,552,434	10,364,387	11,162,889	11,799,325	12,781,159	13,128,117	13,546,345	14,056,183	14,593,221	4%
Transaction & Use Tax (MEASURE B)	-	-	-	-	8,389,861	12,257,300	13,035,854	13,639,919	14,345,109	14,911,190	4%
Total Receipts	\$11,946,268	\$ 10,552,434	\$ 10,364,387	\$ 11,162,889	\$20,189,186	\$ 25,038,459	\$ 26,163,971	\$27,186,264	\$28,401,292	\$29,504,411	4%

Sources: HDL Report

Top 25 Principal Sales Tax Payers**CALENDAR YEARS 2017 and 2007**

IN ALPHABETICAL ORDER

2017	2007
Au Energy Shell Station	Avery Greene Honda
Autolinx	Barber Chrysler Dodge Jeep
Avery Greene Honda	Best Buy
Best Buy	Chevron
Costco	Cornelius Ford
First Capitol Auction	Costco
Foster Lumber Yard	First Capitol Auction
Home Depot	Home Depot
Kohls	JCs RVs
La Mesa RV Center	Kohls
Lowe's	Mervyns
Marshalls	Nino Quality Motors
McDonalds	Rose Import Motors
Momentum Chrysler/Dodge/Jeep/Kia	Ross
Ross	Safeway
Safeway	Safeway Fuel
Safeway Fuel	Shell/Texaco
Six Flags Discovery Kingdom	Six Flags Discovery Kingdom
Target	Target
Team Chevrolet Cadillac Hyundai Mazda	Team Chevrolet Cadillac Hyundai Mazda
Team Chevrolet Cadillac Mazda Hyundai	Team Hyundai Mazda
Toyota Vallejo	Toyota Vallejo
Tributary Point Arco	Vallejo Nissan
Vallejo Nissan	Walmart Neighborhood Market
Walmart Neighborhood Market	XKT/Nesco Fabricators

Source: HDL Report

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					Business-type Activities ³				Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
	RDA Tax Allocation Bonds ¹	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations	Total Governmental Activities	Revenue Bonds	Certificates of Participation	Loans & Notes Payable	Total Business-type Activities			
2009	\$ 10,986,320	\$ 24,927,632	\$ -	\$ 1,264,790	\$ 37,178,742	\$ 62,705,942	\$ 91,457,179	\$ 19,817,014	\$ 173,980,135	\$ 211,158,877	4.59%	\$ 1,744
2010	10,556,320	24,739,378	-	1,138,950	36,434,648	60,485,004	87,771,532	18,485,394	166,741,930	203,176,578	4.22%	1,673
2011	10,091,320	24,014,165	-	1,059,063	35,164,548	58,169,066	87,265,475	17,998,136	163,432,677	198,597,225	4.37%	1,705
2012	-	3,911,143	13,770,344	855,379	18,536,866	58,923,128	53,334,101	40,340,363	152,597,592	171,134,458	3.88%	1,476
2013	-	3,860,835	13,770,344	710,248	18,341,427	54,497,312	-	26,727,801	81,225,113	99,566,540	3.22%	850
2014	-	3,725,835	13,508,076	710,248	17,944,159	53,814,629	-	25,416,179	79,230,808	97,174,967	3.10%	820
2015	-	3,584,575	14,455,264	608,784	18,648,623	51,560,639	-	24,252,560	75,813,199	94,461,822	3.04%	789
2016	-	3,420,210	13,936,400	507,320	17,863,930	49,201,649	-	23,254,939	72,456,588	90,320,518	2.97%	770
2017	-	3,233,951	13,445,922	405,856	17,085,729	46,737,658	-	22,229,772	68,967,430	86,053,159	2.51%	728
2018	-	3,037,671	12,898,459	304,392	16,240,522	44,153,668	-	21,179,459	65,333,127	81,573,649	2.55%	684

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ No longer reported under governmental activities as the result of the dissolution of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency was once a blended component unit of the City.

The Redevelopment Successor Agency financial transactions are reported in a separate trust fund.

² These ratios are calculated using personal income and population for the current calendar year.

³ Effective fiscal year 2013 and beyond, the presentation of some financial data has changed to reflect the effects of the implementation of GASB 61 which eliminated the inclusion of the Vallejo Sanitation & Flood Control District (now Vallejo Flood & Wastewater District) as part of the primary government. This results in the financial activities of the VFWD being discretely presented in the Component Unit column of the Statement of Net Position and the Statement of Activities.

The City did not retroactively restate the amounts prior to FY 2013 for the debt amounts related to the implementation of GASB 61.

Ratio of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ²	Per Capita ³
	General Obligation Bonds	RDA Tax Allocation Bonds ¹	Total		
2009	-	\$ 10,986,320	\$ 10,986,320	0.11%	91
2010	-	10,556,320	10,556,320	0.13%	87
2011	-	10,091,320	10,091,320	0.13%	87
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ No longer reported under governmental activities as the result of the dissolution of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency was once a blended component unit of the City.

² Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

³ These ratios are calculated using personal income and population for the current calendar year.

Direct and Overlapping Debt

June 30, 2018

FY 2017-18 Assessed Valuation Citywide Total		\$ 10,138,213,343	
Successor Agency Incremental Valuation		(419,842,496)	
FY 2017-18 Adjusted City-Only Assessed Valuation		<u>\$ 9,718,370,847</u>	
			City's Estimated
	Percentage	Total	Share of
	Applicable ¹	Outstanding	Overlapping
		Debt 6/30/18	Debt 6/30/18
Overlapping Tax and Assessment Debt:			
Solano County Community College District	20.163%	\$ 287,589,164	\$ 57,986,603
Vallejo Unified School District	97.706%	54,350,000	53,103,211
Vallejo Unified School District CFD No. 2	100.000%	17,541,326	17,541,326
City of Vallejo Hiddenbrooke Improvement District No. 1998-1	100.000%	11,475,000	11,475,000
City of Vallejo 1915 Act Bonds	100.000%	5,185,000	5,185,000
Total overlapping debt repaid with property taxes		<u>376,140,490</u>	<u>145,291,140</u>
Direct and Overlapping General Fund Debt:			
Solano County Certificates of Participation	19.430%	73,795,000	\$ 14,338,369
Solano County Pension Obligation Bonds	19.430%	26,085,000	5,068,316
Solano County Board of Education Certificates of Participation	19.430%	365,000	70,920
Solano Community College District Certificates of Participation	20.163%	9,141,724	1,843,246
Vallejo Unified School District Certificates of Participation	97.706%	24,879,339	24,308,607
City of Vallejo General Fund Obligations	100.000%	<u>36,436,672</u> ³	<u>36,436,672</u>
Total Direct and Overlapping General Fund Debt		<u>170,702,735</u>	<u>82,066,130</u>
Overlapping Tax Increment Debt (Successor Agency):	100.000%	<u>\$ 4,870,000</u>	<u>4,870,000</u>
Total City Direct Debt			<u>36,436,672</u>
Total overlapping debt ²			<u>\$ 195,790,598</u>
Combined Total Debt			<u>\$ 232,227,270</u>

Notes:

¹ The percentage of overlapping debt applicable to the City is estimated using taxable assessed property values. 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 total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

² Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.43%
Total Direct Debt (\$36,436,672)	0.36%
Combined Total Debt	2.29%

Ratios to Redevelopment Successor Agency Incremental Value:

Total Overlapping Tax Increment Debt	1.16%
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³ Includes Governmental Activities Debt plus the UBOC Reimbursement Obligations of \$20,196,150 listed under Business-type activity debt, which have a General Fund pledge of repayment.

Source: California Municipal Statistics, Inc.

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed valuation	\$ 9,533,570,286	\$ 7,729,190,511	\$ 7,250,291,889	\$ 7,001,569,926	\$ 7,315,827,913	\$ 7,238,200,879	\$ 8,016,526,529	\$ 8,561,720,721	\$ 9,126,502,971	\$ 9,718,370,847
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,383,392,572	1,932,297,628	1,812,572,972	1,750,392,482	1,828,956,978	1,809,550,220	2,004,131,632	2,140,430,180	2,281,625,743	2,429,592,712
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	\$ 357,508,886	\$ 289,844,644	\$ 271,885,946	\$ 262,558,872	\$ 274,343,547	\$ 271,432,533	\$ 300,619,745	\$ 321,064,527	\$ 342,243,861	\$ 364,438,907
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 357,508,886</u>	<u>\$ 289,844,644</u>	<u>\$ 271,885,946</u>	<u>\$ 262,558,872</u>	<u>\$ 274,343,547</u>	<u>\$ 271,432,533</u>	<u>\$ 300,619,745</u>	<u>\$ 321,064,527</u>	<u>\$ 342,243,861</u>	<u>\$ 364,438,907</u>
Total debt applicable to the limit as a percentage of debt limit ¹	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department
County Tax Assessor's Office

¹ Section 43605 of the California Government Code for General Obligation bonds.

Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds (a)				
	Gross Water Revenues (a)	Less Expenses (b)	Net Available Revenues	Total Debt Service (c)	City system Coverage
2009	\$ 33,442,234	\$24,473,086	\$ 8,969,148	\$5,285,910	1.70
2010	32,555,633	25,393,647	7,161,986	5,819,158	1.23
2011	36,836,222	23,243,250	13,592,972	5,029,601	2.70
2012	35,443,045	24,069,547	11,373,498	5,027,461	2.26
2013	36,121,520	25,393,089	10,728,431	5,064,399	2.12
2014	39,167,233	25,860,570	13,306,663	4,672,819	2.85
2015	35,309,850	27,107,002	8,202,848	5,165,995	1.59
2016	36,286,112	26,855,253	9,430,859	5,165,821	1.83
2017	36,716,327	27,718,056	8,998,271	5,164,849	1.74
2018	41,027,396	29,860,024	11,167,372	5,167,149	2.16

a) Includes operating revenues, investment earnings, and contributions

b) Excludes depreciation and debt service payments.

c) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Data source - City of Vallejo Comprehensive Annual Financial Report
Debt Service Schedules

Pledged Revenue Coverage

Last Ten Fiscal Years

Wastewater														
Fiscal Year Ended June 30	Utility Service Charges	Less Operating Expenses	Net Available Revenues	Debt Service (Principal and Interest)										Coverage Ratio
				2014 Rev Bonds	2011 Rev Bonds	2008 State Fund Loan	2006 COP	2004 State Fund Loan	2001 COP	1993 COP	State Revenue Fund Loans	Notes Payable	Total	
2009	\$24,660,197	\$ 13,893,269	\$ 10,766,928	\$ -	\$ -	\$ -	\$ 2,501,698	\$ -	\$ 240,565	\$ 2,762,964	\$ 926,556	\$ -	\$ 6,431,783	1.67
2010	25,384,971	15,812,036	9,572,935	-	-	-	2,521,221	-	248,426	2,760,344	1,219,675	-	6,749,666	1.42
2011	25,853,201	16,209,375	9,643,826	-	33,160	-	2,499,531	-	236,769	2,755,344	1,219,556	-	6,744,360	1.43
2012	26,639,300	15,838,616	10,800,684	-	313,742	-	2,490,967	-	664	2,767,704	1,219,433	-	6,792,510	1.59
2013	27,385,589	16,833,300	10,552,289	-	325,943	-	2,507,309	-	-	2,747,344	1,219,309	-	6,799,905	1.55
2014	28,628,926	18,297,585	10,331,341	82,728	327,693	315,062	2,231,956	904,119	-	2,743,844	-	-	6,605,402	1.56
2015	28,270,621	17,989,148	10,281,473	2,318,519	331,626	317,449	-	907,072	-	2,721,750	-	-	6,596,416	1.56
2016	29,530,993	16,901,393	12,629,600	2,314,475	324,475	317,450	-	907,072	-	2,661,500	-	-	6,524,971	1.94
2017	28,526,894	16,308,018	12,218,876	2,311,475	326,075	317,450	-	907,072	-	2,657,500	-	-	6,519,572	1.87
2018	27,851,952	16,006,016	11,845,936	2,312,276	327,276	317,450	-	907,072	-	2,712,625	-	-	6,576,699	1.80

Data source - Vallejo Sanitation and Flood Control District Comprehensive Annual Financial Report

Pledged Revenue Coverage

Last Ten Fiscal Years

Tax Allocation Bonds				
Fiscal Year Ended June 30	Tax Increment / ROPS	Former Agency / Successor Agency (a)		Coverage
		Debt Service (b)		
		Principal	Interest	
2009	\$ 3,591,153	\$ 385,000	\$ 776,595	3.09
2010	3,280,996	430,000	747,078	2.79
2011	3,061,230	465,000	714,155	2.60
2012	1,833,660	510,000	678,430	1.54
2013	2,312,496	555,000	639,132	1.94
2014	1,695,726	610,000	596,657	1.41
2015	1,695,595	630,000	593,109	1.39
2016	2,005,037	685,000	489,311	1.71
2017	1,425,825	750,000	449,703	1.19
2018	1,523,091	820,000	388,805	1.26

a) The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012. The Redevelopment Successor Agency financial transactions are reported in a separate trust fund.

b) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Data source - City of Vallejo Comprehensive Annual Financial Report - Debt Service Schedules

Demographic and Economic Statistics**Last Ten Calendar Years**

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate* (3)
2009	121,055	\$ 4,602,511	\$ 38,020	13.8%
2010	121,435	4,816,841	39,666	14.7%
2011	116,508	4,543,695	38,999	14.0%
2012	115,928	4,414,306	38,078	12.5%
2013	117,112	3,094,450	26,423	10.2%
2014	118,470	3,130,333	26,423	8.9%
2015	119,683	3,111,279	25,996	8.3%
2016	117,322	3,043,919	25,945	5.6%
2017	118,280	3,421,840	28,930	5.1%
2018	119,252	3,199,293	26,828	4.4%*

Note: * Starting in 2018, the unemployment rate reported is the average of the Vallejo City unemployment rate for the first 9 months of the calendar year. In previous years, the unemployment rate in this table was determined by averaging the Vallejo-Fairfield MSA monthly figures.

Sources: (1) State Department of Finance (revised)
(2) U.S. Bureau of Economic Analysis (2007 to 2012); U.S. Census Bureau (2013 and forward)
(3) State of California Employment Development Department (data shown is for the City)

Top 10 Principal Employers

Current Year and Nine Years Ago

Employer	2018		2009	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente Medical Center	3,879	8.23%	3,906	6.59%
Six Flags Discovery Kingdom	1,839	3.90%	1,600	2.70%
Vallejo Unified School District	1,435	3.04%	1,600	2.70%
Kaiser Permanente Call Center	970	2.06%	950	1.60%
Sutter Solano Medical Center	680	1.44%	690	1.16%
City of Vallejo	495	1.05%	574	0.97%
Touro University California	352	0.75%	385	0.65%
California Maritime Academy	313	0.66%	N/A	N/A
Costco	279	0.59%	N/A	N/A
U.S.D.A Forest Service	226	0.48%	300	0.51%
California Highway Patrol, Regional Office	N/A	N/A	400	0.67%
Petrochem Corporate Headquarters	N/A	N/A	225	0.38%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: City of Vallejo Finance Department

**Full-time and Part-time City Employees
by Function
Last Ten Fiscal Years**

Function	Full-Time and Part-Time Employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	45.0	41.0	40.0	48.5	60.0	61.0	65.6	61.0	60.5	63.5
Public safety	250.0	214.0	195.0	192.0	226.0	236.0	242.0	244.0	257.0	258.0
Public works	58.0	54.0	59.0	60.3	62.0	68.0	68.0	71.0	72.5	71.5
Mare Island Coop/CFD	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Economic Development	26.0	21.0	22.0	20.0	18.0	17.8	20.8	21.0	24.0	25.0
Housing	17.0	17.0	17.0	17.0	17.0	15.0	14.0	14.0	15.0	15.0
Solid Waste Disp	-	-	-	-	-	-	-	-	-	-
Landscape District	8.0	7.0	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0
Risk Management	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.5	4.5
Water	101.0	101.0	103.0	103.0	104.0	104.0	106.0	106.0	106.0	108.0
Transportation	5.0	5.0	5.0	5.0	2.0	-	-	-	-	-
Marina	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Corp Yard	11.0	10.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0
Fiber	-	-	-	-	-	-	-	-	1.0	1.0
Parking Structure	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
Total	<u>528.0</u>	<u>477.0</u>	<u>461.0</u>	<u>465.8</u>	<u>509.0</u>	<u>522.8</u>	<u>537.4</u>	<u>538.0</u>	<u>558.5</u>	<u>565.5</u>

Source: City of Vallejo 18-19 Adopted Budget

**Operating Indicators
by Function
Last Ten Fiscal Years**

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Arrests	7,300	4,273	3,133	3,643	3,522	3,738	4,182	4,103	3,775	2,679
Parking citations issued	5,178	3,676	4,532	4,385	1,163	3,778	3,679	3,131	2,984	5,074
Fire:										
Number of emergency calls	12,098	12,149	12,119	12,546	12,970	12,992	14,339	14,307	14,389	14,866
Inspections (Fire Prevention)	842	1,200	675	2,122	2,667	3,925	3,242	2,372	2,417	2,352
Inspections (Code Enforcement) ¹	2,776	8,000	5,567	2,623	7,074	9,586	9,055	11,334	11,822	11,125
Public works:										
Street resurfacing (miles)	18.47	46.5	55.0	5.6	6.6	3.2	9.03	3.87	7.0	1.25
Water:										
New connections	31	67	51	42	5	10	45	66	63	48
Average daily consumption (thousands of gallons)	19,402	17,975	17,698	16,976	17,806	17,371	15,637	14,216	14,801	15,761
Development Services:										
Building permits	1,837	2,175	1,791	1,797	2,176	2,444	2,816	3,244	3,221	3,369
Housing Rental units ²	2,267	2,267	2,292	2,194	2,292	2,292	2,306	2,333	2,333	2,333
Housing Vouchers ³	2,156	2,147	2,149	2,292	2,133	2,062	1,953	1,976	1,926	1,898
Golf course:										
Golf rounds played ⁴	87,416	82,373	65,470	66,133	73,077	73,835	70,795	69,803	56,738	75,882

¹ Function transferred to Code Enforcement.

² Amounts listed represent the number of rental units contracted.

³ Amounts listed represent actual vouchers issued.

⁴ For 2007 amounts listed represent the combined total for the following three golf courses: Joe Mortara and Blue Rocks Springs East and West Golf Courses. For 2008 and forward, amounts listed represent the combined total for the following two golf courses: Blue Rock Springs East and West Golf Courses. Beginning in 2008 the City no longer operates the Joe Mortara Golf Course. Amounts for 2014 represent 10 months of actual results which were annualized for the 12 month period.

Source: City of Vallejo

**Capital Asset Statistics
by Function
Last Ten Fiscal Years**

	Fiscal Year Ended June 30									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Police:										
Stations	3	3	3	3	3	4	4	5	5	5
Fire:										
Fire stations	6	6	6	6	6	6	6	6	6	6
Public works:										
Streets (miles)	351	351	351	351	351	351	351	351	351	351
Traffic signals	148	148	148	123	123	123	125	124	124	124
Water:										
Water mains (miles)	624	624	624	624	624	624	624	624	624	624
Maximum daily capacity (thousands of gallons) ¹	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Golf Course:										
Municipal golf courses	2	2	2	2	2	2	2	2	2	2

¹ Represents combined capacity for Fleming Hill WTP, Travis WTP and Green Valley WTP.

Source: City of Vallejo
Vallejo Golf Club, Inc.



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CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED
JUNE 30, 2018

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**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

For the Year Ended June 30, 2018

Table of Contents

	<u>Page</u>
<i>Memorandum on Internal Control</i>	1
City:	
Schedule of Significant Deficiencies.....	3
Schedule of Other Matters.....	5
Vallejo Flood and Wastewater District:	
Schedule of Significant Deficiencies.....	13
City:	
Status of Prior Year Significant Deficiencies.....	15
Status of Prior Year Other Matters.....	21
Vallejo Flood and Wastewater District:	
Status of Prior Year Significant Deficiencies.....	31
Status of Prior Year Other Matters.....	33

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MEMORANDUM ON INTERNAL CONTROL

To the City Council of
the City of Vallejo, California

In planning and performing our audit of the basic financial statements of the City of Vallejo (City) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control included on the Schedule of Significant Deficiencies and items 2017-03, 2017-04 and 2016-01 on the Status of Prior Year Significant Deficiencies to be significant deficiencies.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Maze & Associates'.

Pleasant Hill, California
December 12, 2018

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CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF SIGNIFICANT DEFICIENCIES

2018-01 Inaccurate Customer Fees Charged

The rates charged in the City's permit billing system, TRAKiT, and the rates charged to customers at the Municipal Marina should be consistent with the City's Fee Schedule approved by the City Council.

As noted in the prior four years' Memorandums on Internal Control, we were unable to recalculate certain fees charged due to errors in the TRAKiT Fee Schedule. During the interim audit, we tested forty receipts and recalculated the fees using the City's Master Fee Schedule. Five receipts tested included incorrect charges to customers as follows:

- Building permit receipt in the amount of \$632.22, however when recalculated should have been charged \$630.87.
- Building permit receipt in the amount of \$1,510.69, however when recalculated should have been charged \$1,505.00.
- Building permit receipt in the amount of \$158.10, however when recalculated should have been charged \$156.58.
- Sprinkler permit fees receipt in January 2018 totaling \$2,574 - we were unable to determine the basis for the fees.
- Marina berth and electricity fees receipt for two months totaling \$799.50, however the fees should have totaled \$799.68.

As a result of the miscalculations in the three building permit fees above, the building permit surcharges (general plan update, permit streamline, and technology) that are based on the building permit charges were not charged correctly. City staff indicated that the building permit fees may have been input incorrectly in the TRAKiT system.

And, upon inquiry of City staff as to the cause for the variance in the Marina berth and electricity fees, we noted that City staff had identified that twelve customers for the Marina receipt collection date of December 11, 2017 were not being charged fees consistent with the fee schedule and expected to remedy the issue in fiscal year 2019.

Errors in fee calculations or charging fees that are not in accordance with the Fee Schedule approved by the City Council could result in under- or overcharging customers and then an under-or overstatement of revenue.

Although the permit fee errors noted in our testing were not as significant as those identified in the past, it did reveal that the issue has not yet been resolved, and we noted fee errors in a different department. The City should develop procedures to ensure that fees charged in all departments for all services are consistent with the Fee Schedule approved by City Council each fiscal year.

CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF SIGNIFICANT DEFICIENCIES

2018-01 Inaccurate Customer Fees Charged (Continued)

Management's Response:

The City agrees with this recommendation.

When the City became aware of this formula issue, the software vendor, CRW Systems Inc. (CRW), was brought in to resolve the problem. Former City staff had not correctly input the permit fee schedule formulas into the data tables for the fiscal year 2015-16. The City's Information Technology (IT) Division has now instructed CRW to block city-staff from processing any unauthorized changes to the permit fee data tables. Once the current fee study is completed, IT will work with CRW staff to create new fee tables within Trakit that have the functionality to calculate the correct fees. Building Division staff will now monitor the invoices and permit fees charged and CRW will fix any formula errors encountered. Finance Department staff will assist Building division staff to monitor their procedures going forward.

During the past year, City staff have spent considerable time conducting an internal audit of customer accounts. A 3% berth fee increase has been implemented each July 1st of the past three years. It was determined the fee deviation was a result of incorrect slip lengths being charged and/or inconsistent rounding of the rate increases. Corrections in the billing system have been made to prevent future rounding errors. Furthermore, a listing of all Marina slips and their applicable base rent fees is established each July 1st for staff to reference in order to prevent calculation errors. Updated contracts are in the process of being executed with existing Marina berthers to ensure correct fees are being charged and collected.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

2018-02 Expiration of Parkmobile Parking Services Agreement

The City should have current contracts with third party service providers.

We noted that the City's contract with its vendor, Parkmobile, to facilitate the activation and payment of parking transactions using mobile technology expired on July 31, 2017, but the City continued to use the service provider throughout fiscal year 2018.

We understand the City is in the process of amending the contract, but it has not been completed to date.

The City should ensure that contracts with all service providers are current.

Management's Response:

The City agrees with this audit recommendation.

On November 29, 2018, the agreement was amended and executed to extend through November 1, 2019. The City will comply with procurement requirements to engage in a longer term agreement for like services with this or another vendor in the next year.

2018-03 Information Systems Best Practices

We conducted an Information Systems Review with our audit which encompassed the City's financial information system and the network environment that houses it. We expanded our work in previous years beyond simply looking at financial information systems as a result of greater risks of unauthorized access caused by overall industry growth of web-based commerce and internet based financial systems. Internal controls that are present in the overall network environment have become more important and relevant to understanding the internal controls over the financial system. We believe Information System controls must be continuously improved and enhanced to stay ahead of the ever increasing sophistication of hackers and criminals.

Currently, there are no Information Systems standards to which local governments are required to conform. Indeed there are a wide variety of informal guidelines and suggested controls from many different organizations which local governments can use to implement appropriate controls to ensure adequate security over information technology. A voluntary risk-based Cybersecurity Framework has been developed by the National Institute of Standards and Technology (NIST) per Presidential Executive Order 13636 (12 FEB 2013). The *Framework for Improving Critical Infrastructure Cybersecurity* version 1.0 (12 FEB 2014) offers a number of appropriate standards. Our Information Systems auditors have reviewed the voluntary framework and concluded that the risk management framework developed by NIST for the Federal Information Security Management Act (FISMA) is the most appropriate for local governments¹. The NIST risk management framework represents the minimum security requirements for federal government agencies and recommends these controls for private industry and state and local governments.

While the results of our work did not indicate material weaknesses, we noted a few areas which could be improved. A summary of these recommendations which we believe are "best practices" are as follows:

¹ "State, local, and tribal governments, as well as private sector organizations are encouraged to consider using these guidelines, as appropriate." NIST SP 800-37 Rev 1 pg 11

CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2018-03 Information Systems Best Practices (Continued)

Session Locks

The City does not have session locks turned on for the financial application or the workstation operating systems. A session lock is a temporary lockout of the operating system or financial application when a user stops work and typically moves away from the immediate physical vicinity of the computer. Employees may leave their workstation for lunch or break and not log off or log out of the application. This leaves the operating system or financial application open and available to any passerby. Any person with physical access would be able to perform any tasks the absent user has privileges or rights to do. At the very least workstations should be set to lock out the workstation after a period of inactivity. Best practice would be to have both the operating system and financial application have lockouts after a period of inactivity.

General Information Systems Controls

Our administrative and technical control review is based on the National Institute of Standards and Technology (NIST) control catalog NIST SP 800-53 rev. 4 for a moderate system as defined by NIST SP 800-60. We reviewed the compliance of the City's information systems with the NIST information security standards based on a moderate risk system. Although there is no required IT standard for local governments, NIST encourages state, local and tribal governments to consider the use of these guidelines, as appropriate. In adopting NIST standards, the local government demonstrates due diligence in designing and implementing appropriate controls around its information systems.

Management's Response:

The City agrees with this audit recommendation.

The City will implement Session Locks by the end of Fiscal Year 18-19.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2018/19:

GASB 83 – Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 83 – Certain Asset Retirement Obligations (Continued)

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
(Continued)

How the Changes in This Statement Improve Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

EFFECTIVE FISCAL YEAR 2019/20:

GASB 84 – Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 90 - Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

EFFECTIVE FISCAL YEAR 2020/21:

GASB 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 87 – Leases (Continued)

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

VALLEJO FLOOD AND WASTEWATER DISTRICT

SCHEDULE OF SIGNIFICANT DEFICIENCIES

VFWD 2018-01 Timely Bank Reconciliation Preparation and Review

Bank reconciliations are one of the most important internal controls a District can have, and the bank reconciliation cannot be considered complete until it has been reviewed and approved. To be an effective control, bank reconciliations and the associated review should be completed in their entirety as soon as reasonably possible after each month-end, usually within thirty to forty-five days of the bank statement date. In addition, the date of preparation and review should be documented on the reconciliation or in some formal manner.

During our review of the District's bank reconciliation for the month of September 2017, it appears the District did not prepare and review the bank reconciliations until January 2018.

District staff indicated that they were behind in preparing and reviewing the bank reconciliations throughout the fiscal year due to limited staff resources.

By not completing and reviewing the bank reconciliations within forty-five days any errors and/or check fraud may not be detected in a timely manner. The Uniform Commercial Codes provide that under certain conditions, the most important being timely bank reconciliation, depositors which detect fraudulent transactions and inform their banks in a timely manner will not be responsible for the fraud loss.

The District must implement procedures to ensure the timely preparation and review of bank reconciliations throughout the fiscal year. This comment was repeated from prior year.

Management's Response:

Management agrees with the need to review and approve timely bank reconciliations. The District began a bank transition in the prior year and managed dual operating accounts which as a result, created a demand for increased monitoring and reconciliation of cash postings. In response to the increase demand, the District hired a consultation to assist specifically with bank monitoring, review and reconciliation. Though the bank reconciliations were not signed and dated within the recommended time period, bank activity was reviewed regularly. The District has completed the bank transition and has hired qualified staff to ensure timely bank reconciliations going forward.

VFWD 2018-02 Journal Entry Reviews and Approvals

Journal entries are an important transaction cycle that affects all aspects of accounting and financial reporting. Prudent internal control concepts dictate that no single employee should process a transaction without the involvement of another employee. For journal entries, this typically takes the form of a second employee performing a review and approving the proposed entry prior to posting. The review and approval should be documented by a reviewers signing and dating that their review has been completed and the entry is approved.

We selected twenty-five journal entries for testing and noted two did not have written evidence of approval, six entries had no review at all and four entries were not prepared in a timely manner.

District staff indicated that they were behind in reviewing the journal entries throughout the fiscal year due to limited staff resources.

CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL
VALLEJO FLOOD AND WASTEWATER DISTRICT
SCHEDULE OF SIGNIFICANT DEFICIENCIES

VFWD 2018-02: Journal Entry Reviews and Approvals (Continued)

We recommend that the District implement a procedure that prevents staff from creating entries and posting entries without proper review. This comment was repeated from prior year.

Management's Response:

Management agrees with the need to review and approve all journal entry transactions. To ensure timely posting, staff established a list of recurring journal entries which includes the process of approval. The District now has an Accountant on staff who will monitor and accounting transactions and ensure the appropriate approval requirement are met.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES**

2017-01 Recording and Depositing Receipts in a Timely Manner

All cash collections should be processed and deposited in a timely manner.

During our testing of revenues remitted to the City by the State Controller's Office during fiscal year 2017, we noted one grant reimbursement in the amount of \$437,452 dated June 1, 2017 was not recorded in the City's general ledger system until August 16, 2017.

We understand the Fire Department placed the check in inter-office mail for delivery to the City's Commercial Services Division on or about June 8, 2017. However, the Commercial Services Division did not receive the inter-office envelope until August 16, 2017, at which time the check was deposited. This could be an indication that other cash receipts are not being forwarded by the various departments to the Finance Department in a timely manner.

Cash collections, including checks, that are retained in City departments for long periods and not deposited immediately, create a potential risk of theft or misappropriation of funds.

The City must require that all receipts be processed and deposited in the bank in a timely manner, usually within one or two days of receipt. Specific to the Department responsible for the grant above, the Finance Department should periodically monitor cash collections to ensure all deposits have been made and undeposited amounts are not retained in the department. In addition, the City should consider requiring that all receipts be directed to the Finance Department, rather than outside departments, to ensure timely processing.

Current Status:
Implemented.

2017-02 Monitoring Development Project Escrow Deposit Activity

The City should monitor escrow account balances and related project activity to ensure that transactions are being recorded timely in the general ledger.

The City established an escrow account in the prior fiscal year that was funded by grant funds for the Post Office relocation project. As project activity takes place, the United States Postal Service (USPS) is to request drawdowns from the escrow balance.

When we began the year-end audit, we noted that the escrow account balance had not changed significantly from the prior fiscal year and we inquired about the status of the project, since it had begun in the prior year. As Finance staff inquired of project staff for the status, they found that the City received a reimbursement request from the USPS in September 2017 for project activity that occurred in July, September and October 2016 totaling \$3.35 million. As a result, that activity was not recorded as fiscal year 2017 activity in the general ledger until November 2017.

It appears that City staff does not actively monitor the project and instead waits for the draw down requests.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES**

2017-02 Monitoring Development Project Escrow Deposit Activity (Continued)

City staff should develop procedures to monitor projects of this nature to ensure that project drawdowns are completed as the project progresses and transactions are recorded in the general ledger timely during the fiscal year.

Current Status:
Implemented.

2017-03 Compliance with Credit Card Use Policy

Section 9, Statement Review and Approval Procedures, of the City's Credit Card Usage Policy, indicates that procurement card statements should be reviewed and approved by Department Heads and Department Heads' statements should be reviewed and approved by the City Manager.

We again selected three months to test for review and approval of six Department Head statements and noted that none of the City Attorney's Cal-Card statements for the fiscal year (July 2016, August 2016 and October 2016) were signed off as approved by the City Manager.

We understand that the City Attorney does not consider herself a Department Head, since she is appointed by the City Council, and therefore the approval by the City Manager is not required. However, review and approval by a second person, such as the City Manager or the Finance Director should be completed to ensure all purchases are in compliance with City policies.

The City should develop procedures to ensure that there is a review process in place to ensure all procurement card statements are reviewed and approved in compliance with the Credit Card Usage Policy.

Update for June 30, 2018:

We selected two months to test for review and approval of eight Department Head statements and again noted that the City Attorney's September 2017 and October 2017 Cal-Card statements were not signed off as approved by the City Manager. We selected two additional months in fiscal year 2018 in which the City Attorney had charges (December 2017 and January 2018) and noted that the statements were signed off as approved by the Assistant City Manager and Mayor.

We understand that the lack of approval for the September 2017 and October 2017 months was due to the process of review for the City Attorney's Cal-Card statements not being implemented until December 2017, after our Memorandum on Internal Control comment was issued.

The City should develop procedures to ensure that there is a review process in place to ensure all procurement card statements are reviewed and approved in compliance with the Credit Card Usage Policy for all employees with Cal-Cards, and the City should consider having all of the City Attorney's Cal-Card statements reviewed and approved, even those prior to December 2017.

Current Status:
Partially implemented.

The City has implemented a process whereby all CalCard statements are reviewed and approved. The City created a procedure whereby the Mayor reviews and approves the City Manager and City Attorney credit card expenses.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES**

2017-04 Employee Benefits – Clarify Benefits for Contract Employees

Employee benefits paid should be consistent with employment agreements, whether they are contained within memoranda of understanding or individual employee contracts.

We selected the City's three contract employees for testing of gross and net pay calculations for the pay period ended June 23, 2017 and noted that for one of the three employees, the City pays the employee's share of the Federal Insurance Contributions Act (FICA) for Old Age Survivor and Disability Income and Medicare. Two of the employee contracts contain the same language that indicates the City will pay those "Required Employer Costs," but neither contract is clear on whether that includes both the employer *and* the employee's share of those costs. The City pays the employee share of the costs for only one of those two employees. The third contract is silent on those contributions, and the employer only pays its share of such contributions, not the employee's share.

Although we did note that the City's payment of the employee's share of FICA is included in the gross pay of the employee reported on her annual W-2, it is unclear why that employee receives the additional benefit when the contract language is identical in two of the three contracts.

The City should determine whether the contract language included in the two employment contract refers to the employer's share of the FICA contributions, or if it does include both the employer and the employee contributions and ensure that the pay for both employees is consistent.

Current Status:

The City agrees with this audit recommendation.

The City will look into this matter, make a determination as to the correct approach to be taken, and implement the required changes on a consistent basis for all contract employees.

2017-05 Access to Vendor and Payroll Databases and Controls Over Adding and Deleting Access to the Databases

Significant changes to the accounts payable vendor database such as setting up new vendors and revising vendor addresses or payees should be made by an employee who does not process accounts payable. Similarly, significant changes to the payroll database such as employee additions or revisions to pay rates should be made by an employee who does not process payroll. And, when system access is granted to individuals, it should be a controlled process to ensure the access does not conflict with other duties, is removed when duties change and is removed when an employee is terminated.

During our review of system access for both databases, we noted that two accountants involved with processing accounts payable, three employees involved with printing checks, one employee not involved with accounts payable processing, as well as one employee responsible for reviewing and approving the check register and one former employee have access to making changes to the vendor database.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES**

2017-05 Access to Vendor and Payroll Databases and Controls Over Adding and Deleting Access to the Databases (Continued)

Although Human Resources Department personnel are responsible for setting up new employees in the payroll system, we noted that the three accountants involved with processing payroll directly, or as backup, have access to make changes to the payroll database, including adjusting employee pay rates. And, one former temporary accountant still had access to the database, although Finance staff were unsure of who the person was (Information Technology personnel indicated the person was from Human Resources, but the employee's role title was "temp-accountant-finance").

When transaction processors, former employees or those not involved with the accounts payable or payroll have access to the associated database, the City is exposed to a higher risk of errors and unauthorized transactions, including phantom vendors or ghost employees.

We understand that when a new hire is provided database access or when an employee receives a new position title, the City has a standard access "role" that is assigned based on the job title. The set-up for each job title is standard (i.e. accountant) and is not altered based on the specific duties of the employee.

No one processing accounts payable or payroll should be able to make changes to the respective databases. The duty should be delegated to another party that is not involved with processing. In the event the system does not allow such a change, the City should implement a review process whereby someone other than the person charged with preparing the accounts payable and payroll check runs is reviewing all changes made to the vendor and payroll databases, respectively, to ensure they are valid and authorized. Although we understand network access is removed when employees depart the City and the Information Technology personnel removed the former employee and former temporary accountant from access while we were reviewing the access with him, the employees that have access to the various system modules and databases should be current at all times and not include former employees.

In addition, once a Finance employee is hired or changes positions/duties, Finance staff approving access should verify the changes in access were made by Information Technology and that all access is appropriate for all duties performed. And, a report of system access should be periodically reviewed to ensure only appropriate and active employees have access to the various modules in the general ledger system.

Current Status:
Implemented.

2016-01 Inaccurate Permit Fees

The rates charged in the City's permit billing system, TRAKiT, should be consistent with the City's Fee Schedule approved by the City Council.

During the last three fiscal years, we encountered errors or potential errors in the calculations of building permit fees that could not be explained by City staff or that City staff believed were caused by the use of incorrect fee schedules in the permit system. City staff believed the errors in the TRAKiT Fee Schedule were corrected in July 2015.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES**

2016-01 Inaccurate Permit Fees (Continued)

Therefore, we selected twenty-five fiscal year 2016 building permit receipts for testing of the accuracy of amounts charged and collected. However, after completing testing for only three of those receipts, it appears that the City continues to use incorrect fee schedules in the TRAKiT software system as we again noted errors in the fees charged or potential errors that could not be explained by City staff as follows:

Fee Type	Permit Tested	Receipt Amount	Recalculated w/ Master Fee Schedule	Over (Under) Charge Variance
Building Permit Fee	1	\$1,182.94	\$1,318.73	(\$135.79)
	2	1,041.69	1,160.48	(118.79)
	3	148.19	164.60	(16.41)
Technology Surcharge Fee	1	\$47.32	\$52.75	\$(5.43)
	2	117.19	46.42	70.77
	3	8.95	6.58	2.37
Plan Check Fee	1	\$828.06	\$923.11	\$(95.05)
	2	729.18	812.34	(83.16)
	3	75.50	115.22	(39.72)

The Accounting Manager indicated that the building permit fees may have been input incorrectly in the TRAKiT system, which then results in the technology surcharge fee and building plan check fees to be incorrectly calculated.

As discussed above and noted in the prior three years' Memorandums on Internal Control, we were unable to recalculate certain fees charged due to errors in the TRAKiT Fee Schedule. City staff had indicated that the errors had been researched and resolved. Therefore, City staff should determine the cause of the errors shown above.

Update for June 30, 2017 and 2018:

During the last five fiscal years, we encountered errors or potential errors in the calculations of building permit fees that could not be explained by City staff or that City staff believed were caused by the use of incorrect fee schedules in the permit system.

As noted in the prior five years' Memorandums on Internal Control, we were unable to recalculate certain fees charged due to errors in the TRAKiT Fee Schedule, and we understand that there was no change to the system in fiscal years 2017 or 2018.

It is our understanding that the City hired an outside consultant to perform updates and testing on the TRAKiT system. The City should ensure that the testing which occurred during that time period identified the source of the problems encountered in the system. Also, the City should ensure that the billing system is updated immediately after the Fee Schedule is approved by City Council each fiscal year.

Current Status:

Not implemented – see current year comment 2018-01.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES**

2016-02 Compliance with Credit Card Use Policy

Section 9, Statement Review and Approval Procedures, of the City's Credit Card Usage Policy, indicates that procurement card statements should be reviewed and approved by Department Heads and Department Heads' statements should be reviewed and approved by the City Manager.

We selected two months to test for review and approval of six Department Head statements and noted that the Assistant City Manager's November 2015 Cal-Card statement was not signed off as approved by the City Manager.

We understand that the lack of approval may have been due to oversight by the City Manager; however it went undetected when the statements were processed for payment.

The City should develop procedures to ensure that there is a review process in place to ensure all procurement card statements are reviewed and approved in compliance with the Credit Card Usage Policy.

Current Status:

Partially implemented – see comment 2017-03.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2017-06 Incorrect Management Incentive Rate

The City should ensure management incentive pay is accurate for eligible employees.

We selected twenty-five employees for testing of gross pay calculations for the pay period ended February 3, 2017 and noted that one employee's management incentive rate had been miscalculated and understated by \$11.11. In our testing, we'd tested three of the nine employees that receive the incentive and noted only the one error in the three tested.

As a result, the City has underpaid the employee by \$155.56 since the date the incentive was effective.

We understand the pay includes a manual calculation and understatement was caused by a data entry error to the payroll system.

The City should implement review and approval procedures for employee special pays that include calculations to ensure they are calculated correctly and input in the payroll system at the correct dollar amount.

Current Status:
Implemented.

2017-07 Documentation of Review of Utility Billing

Accounts receivable billings should be reviewed and approved for accuracy prior to sending them to customers.

During our review of procedures related to utility accounts receivable billing, we noted that billings to customers are reviewed for accuracy by an individual other than the preparer, but there is no documentation that the review took place.

By not reviewing customer billings, incorrect invoices could be distributed to the City's customers, leading to complaints and under or over collection of revenues.

The City should implement procedures to ensure that there is documentation that all accounts receivable billings are reviewed for accuracy and approved by a second employee prior to mailing or transmission of the billing file to the City's third-party billing service.

Current Status:
The City agrees with this recommendation.

When the utility bill file is created, the Commercial Services manager reviews several random accounts from the file, prints out the recent customers billing and payment history, and then approves the specific customers payment history report by signing and dating it. The City implemented this procedure in April 2018.

In addition, the City is working with HTE to determine if the water billing system can print out a billing detail report that matches the utility billing file that is created each time billing is run. When this report is available, the City will implement the review of the report.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2017-08 Check Register - Indication of Date of Review

The review and approval of check registers is an important element of the City's internal controls. The City should also document an audit trail for the review in some formal manner to indicate the reviewer and date that it was completed. The City's process includes the review and approval of the payroll registers by the Deputy Finance Director, who signs and dates the registers after the review has taken place.

We selected six check registers for testing of the documentation of the review and approval and noted that the check registers for October 19, 2016 and February 1, 2017 were signed off by the Deputy Finance Director, but there was no indication as to when the reviews took place.

Without an audit trail of when the review took place, we were not able to verify that the review for two of the six check registers tested took place in a timely manner.

We understand that after checks are processed, it is the City's procedure to have the Deputy Finance Director review, approve and sign off that same day and the failure to include the date of the review may have been an oversight.

The Deputy Finance Director should ensure that the date of the review is included on the check registers to leave an audit trail as to when the review took place.

Current Status:

Implemented.

2017-09 Uniform Guidance Procurement Standards

The City is required to implement changes to its procurement policies and procedures in accordance with the Uniform Guidance procurement standards in 2 CFR 200.317 through 200.326 for any federally funded procurements beginning on or after July 1, 2018.

Since the City receives federal awards, a few of the general standards over procurement include:

- The City must have documented procurement procedures that reflect federal law, Uniform Guidance standards, and any state regulations.
- The City must maintain an appropriate level of oversight to ensure that contractors perform in accordance with the terms of their contracts or purchase orders.
- Written conflict-of-interest policies are required. No employee or agent of the City may participate in the selection, award, or administration of a contract funded by federal grant dollars if he or she has an actual or apparent conflict of interest.
- Entities should focus on the most economical solution during the procurement process, and must avoid using federal funds for the acquisition of unnecessary items. Organizations are encouraged to consider the use of shared services and intergovernmental agreements to foster greater economy and efficiency.
- The City must maintain records sufficient to detail the history of procurement, including the rationale for the method of procurement, contract type, and the basis for the contractor selection or rejection and price.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2017-09 Uniform Guidance Procurement Standards (Continued)

In addition to other requirements, the Uniform Guidance also requires full and open competition. Contractors who assist in drafting specifications for invitations for bids or requests for proposals (RFP) must be excluded from competing for those procurements.

The Uniform Guidance also outlines five methods of procurement to be followed for federally funded projects:

- **Micro-purchase:** Purchases where the aggregate dollar amount does not exceed \$3,000 (or \$2,000 if the procurement is construction and subject to Davis-Bacon). When practical, the City should distribute micro-purchases equitably among qualified suppliers. No competitive quotes are required if management determines that the price is reasonable.
- **Small purchase:** Includes purchases up to the Simplified Acquisition threshold, which is currently \$150,000. Informal purchasing procedures are acceptable, but price or rate quotes must be obtained from an adequate number of qualified sources.
- **Sealed bids (formal advertising):** Used for purchases over the Simplified Acquisition Threshold, which is currently \$150,000. Under this purchase method, formal solicitation is required, and the fixed price (lump sum or unit price) is awarded to the responsible bidder who conformed to all material terms and is the lowest in price. This method is the preferred procurement method for construction contracts if certain provisions apply.
- **Competitive proposals:** Used for purchases over the Simplified Acquisition Threshold, which is currently \$150,000. This procurement method requires an adequate number of qualified sources submitting an offer for either a fixed-price or cost-reimbursement contract, and is used when sealed bids are not appropriate. The contract should be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.
- **Noncompetitive proposals:** Also known as sole-source procurement, this may be appropriate only when specific criteria are met. Examples include when an item is available only from a single source, when a public emergency does not allow for the time of the competitive proposal process, when authorized by the federal awarding agency, or after a number of attempts at a competitive process, the competition is determined to be inadequate.

The provisions above are just highlights from the new procurement standards and the City should ensure that it has reviewed all of the procurement standards in the Uniform Guidance and that it has the applicable policies and procedures in place for fiscal year 2019.

Current Status:

The City Council has adopted a new purchasing ordinance that provides procurement standards for City staff to follow. In addition, staff is also working on drafting a new purchasing procedures administrative rule which contains the federal Uniform Guidance purchasing standards.

The City will review and ensure compliance to all of the procurement standards in the Uniform Guidance and confirm it has the applicable policies and procedures in place for fiscal year 2019.

The Finance Department will monitor the Uniform Guidance thresholds to ensure the City is on compliance with federal procurement standards.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2017-10 Senate Bill 1029 - California Debt and Investment Advisory Accountability Reports

Senate Bill 1029 adopted in September 2016 is effective January 1, 2017 and amends Government Code Section 8855 that created the California Debt and Investment Advisory Commission (CDIAC).

SB1029 indicates that: State and local agencies should adopt comprehensive written debt management policies pursuant to the recommendation of the Government Finance Officers Association, a professional organization of over 18,000 public officials united to enhance and promote the professional management of governmental financial resources. These policies should reflect local, state, and federal laws and regulations.

SB1029 also indicates that it is the intent of the Legislature that all debt issuance of state and of local governments be published in a single, transparent online database that allows the citizens of California to analyze, interpret, and understand how debt authorized by the public is utilized to finance facilities and services at the state and local level.

The first annual debt transparency report is due January 31, 2018 for the year ended June 30, 2017, if the City issues debt during that period. The reporting requirements are triggered when debt is issued and continue until the debt is no longer outstanding or the proceeds have been fully spent.

The City should review the provisions of Government Code Section 8855 to ensure it has the necessary debt policy(ies) in place and develops procedures to implement the required annual debt transparency report to CDIAC when it is applicable.

Current Status:

The City agrees with this recommendation.

The City has contacted members of its debt issuance team and confirmed they provide compliance to all of the provisions of Government Code Section 8855 and has the applicable policies and procedures in place for fiscal year 2019. However, since the City did not issue any debt during the year ended June 30, 2018, it does not have to file an annual report in January 2019.

2016-04 Purchasing Policy Compliance and Clarifications of Requirements

We selected twenty-five disbursements for testing of compliance with the City's Purchasing Policy and noted the following:

- a. Section 3.20.045 A, Authorization Limits and Execution of Contracts, City Manager Authorization Limit, indicates that the City Manager may approve and authorize certain contracts and purchase orders involving expenditures of \$100,000 or less in any one transaction.

During our testing we noted five disbursements for which the invoices were individually below the \$100,000 threshold that were approved in accordance with City procedures. However, the disbursements were not supported by a purchase order or a contract.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2016-04 Purchasing Policy Compliance and Clarifications of Requirements (Continued)

City staff indicated that the types of purchases under these invoices (vehicle repairs, phone service, photography, supplies and materials, and trucking services) did not require the use of a purchase order or contract. Although that appears reasonable, there does not appear to be such an exemption in the Purchasing Policy.

If all disbursements do not require the use of a contract and/or purchase order, the Purchasing Policy should be revised to clarify when each (or both) is required as well as any broad exemptions.

- b. Section 3.20.045 C, Authorization Limits and Execution of Contracts, City Council Authorization Limit, indicates that bids or contracts over \$100,000 are to be approved by City Council.

One of the disbursements noted above for road supplies and construction materials was comprised of twenty-eight individual vendor invoices ranging from \$142 to \$67,430. The total disbursement to the vendor was \$110,241, which exceeded the need for City Council approval. When we inquired about City Council approval, as well as a contract with the vendor, neither had been obtained.

City staff indicated that City Council approval had not been obtained because the individual invoices were less than the \$100,000 threshold and there was no contract with the vendor because the individual purchases were below the dollar level that required for a contract. Upon further inquiry, we understand the City uses this local vendor throughout the fiscal year for various street and road projects and total disbursements to the vendor for fiscal year 2016 were \$1,579,216.

The Purchasing Policy does contain certain exceptions to bidding related to the use of local vendors under Section 3.20.080, Bidding – Exceptions to Competitive Bidding Requirement – Local Bidder Preference for Materials, Supplies, Equipment, Services and Public Works Under Certain Circumstances, but only for acquisitions less than \$100,000 and that section does not appear to eliminate the need for a contract.

In addition, although Section 3.20.081 of the Purchasing Policy does prohibit the splitting of purchases into smaller components to evade the provisions of the Policy, the Policy does not address whether the use of vendors throughout the fiscal year for unrelated projects that collectively exceed the authorization thresholds require the use of contracts, purchase orders or bidding. The Policy further indicates that “splitting or separating a transaction for the purchase of any materials, supplies, equipment or services shall mean and include reducing the amount of any materials, supplies or services to be furnished to the City under circumstances where there is a reasonable knowledge that the same will be additionally required within the same budgetary term, there are funds available for that purchase...” Although we are not implying that City staff intentionally reduced the amount of the invoices, it appears there is “reasonable knowledge” that this vendor will be used throughout the fiscal year and therefore would be subject to the contract and City Council approval requirements of the Policy.

CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
OTHER MATTERS

2016-04 Purchasing Policy Compliance and Clarifications of Requirements (Continued)

The City should clarify in the Purchasing Policy whether the use of one vendor throughout the fiscal year for which disbursements cumulatively exceed the authorization thresholds trigger the need to comply with the contract and City Council-approval requirements of the Policy.

Update for June 30, 2017:

We selected twenty-five disbursements for testing of compliance with the City's Purchasing Policy and noted the following:

- a. Eleven disbursements for which the invoices were individually below the \$100,000 threshold that were approved in accordance with City procedures. However, the disbursements were not supported by a purchase order or a contract.

City staff indicated that the types of purchases under these invoices (vehicle repairs, phone service, photography, supplies and materials, and trucking services) did not require the use of a purchase order or contract. Although that appears reasonable, there does not appear to be such an exemption in the Purchasing Policy.

If all disbursements do not require the use of a contract and/or purchase order, the Purchasing Policy should be revised to clarify when each (or both) is required as well as any broad exemptions.

- b. One of the disbursements noted above for road supplies and construction materials was comprised of forty-three individual vendor invoices, including some with three to four invoices with the same date of delivery, ranging from \$129 to \$59,045 for the period July 20, 2016 to August 11, 2016 (invoices included seventeen dates, or almost every working day for that period). The total disbursement to the vendor was \$120,697, which exceeded the need for City Council approval. When we inquired about City Council approval, as well as a contract with the vendor, neither had been obtained. City staff indicated that City Council approval had not been obtained because the individual invoices were less than the \$100,000 threshold.

The vendor is the same as noted in prior year comment 2016-04b above, and we have the same recommendation as noted above. Total disbursements to the vendor for fiscal year 2017 through April 28, 2017 were \$408,307.

- c. Two disbursements for temporary employee services for which the City spent over the amount that exceeded the threshold for Council approval of \$100,000 during the fiscal year.

City staff indicated that City Council approval had not been obtained because the individual invoices were less than the \$100,000 threshold. Again, we have the same recommendation as noted in 2016-04b above.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2016-04 Purchasing Policy Compliance and Clarifications of Requirements (Continued)

We understand the City hired a consultant to assist with reviewing the policies in place and assist the City with revising the Purchasing Policy. The City should review all purchasing procedures to ensure they are in compliance with the provisions of the Purchasing Policy or revise the Policy to comply with current procedures.

Current Status:

The City agrees with this recommendation.

The City Council has adopted a new purchasing ordinance that provides procurement standards for City staff to follow. In addition, staff is also working on drafting a new purchasing procedures administrative rule.

2015-01 Inaccurate Permit Fees and Transient Occupancy Remittance

The rates charged in the City’s permit billing system, TRAKiT, should be consistent with the City’s Fee Schedule approved by the City Council, and customer remittances that include customer-based calculations should be recalculated by City staff to ensure accuracy.

We selected forty receipts for testing of the accuracy of amounts charged and collected and although we did not encounter the magnitude of errors noted in the prior two years’ Memorandums on Internal Control, we again noted errors in the fees charged or potential errors that could not be explained by City staff as follows:

1. One Building Permit in the amount of \$1,009.17 was undercharged \$10.66 for surcharges based on the permit fee of \$843.57 as follows:

Surcharge Type	Rate	Fees Collected	Recalculated Fees	Variance
Technology	4%	\$30.19	\$33.74	(\$3.55)
General Plan Update	5%	37.74	42.18	(4.44)
Permit Streamlining	3%	22.64	25.31	(2.67)
Total		\$90.57	\$101.23	(\$10.66)

The Permit Coordinator indicated that the fees may have been input incorrectly in the TRAKiT system.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2015-01 Inaccurate Permit Fees and Transient Occupancy Remittance (Continued)

2. One Building Permit in the amount of \$5,655.04 – The customer applied for building permit in fiscal year 2011 and paid only the plan check fees at that time, and the final permit was not issued until fiscal year 2015. We tried to recalculate the permit fees using both the 10/11 and 14/15 fee schedules, but were unable to determine the basis for the fees charged. Although we understand the permit fee calculation may be based on the fiscal year 2011 fee schedule, our initial recalculation showed that there was a variance using both the fiscal year 2011 and fiscal year 2015 fee schedules.

After further investigation by Building Division staff, they provided the following information:

- i. Permit application was May 31, 2011
- ii. Plan Check Fee of \$6,693.18 was paid/received on June 1, 2011
- iii. All remaining fees, except for the additional Plan Review Fees, were received on May 9, 2014 (Fiscal Year 2014)
- iv. Additional Plan Review Fees were paid on February 11, 2015 and the Permit was issued on the same date

The Building Division staff indicated that the fees were processed by staff no longer employed by the City they assume that the fees charged were based on the Fiscal Year 2014 Fee Schedule in effect when the majority of the fees were paid.

Our understanding is that permit fees should be based upon the fee schedule in place at the time of the application. However, we were not able to determine which calculation was appropriate without further supporting documentation.

Upon further discussion with the Building Division staff, they were not able to determine the basis for the calculation of the Technology Fee, General Plan Update, or Electrical Permit Fees above. As a result, the City's permit fees may include overstated or understated revenues.

3. Transient Occupancy Fee Receipt of \$18,484.49 - the Tourism business improvement district fee paid by an Inn as part of the Transient Occupancy Tax payment for March 2015 was understated by \$238 due to a miscalculation by the Inn.

The Customer Service Supervisor indicated that there is currently no standard practice for City staff to recalculate the fees submitted by hotels.

As noted in the prior two years' Memorandums on Internal Control, we were unable to recalculate certain fees charged due to errors in the TRAKiT Fee Schedule. City staff had indicated that the errors had been researched and resolved. Therefore, City staff should determine the cause of the errors in #1 and 2 above.

It is our understanding that the City hired an outside consultant to perform updates and testing on the TrackiT system in July 2015. The City should ensure that the testing which occurred during this time period identified the source of the problems encountered in the system. Also, the City should ensure that the billing system is updated immediately after the Fee Schedule is approved by City Council each fiscal year.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2015-01 Inaccurate Permit Fees and Transient Occupancy Remittance (Continued)

And, City staff should develop procedures to recalculate customer-based calculations to ensure the City is receiving all applicable taxes or other revenues. Any discrepancies noted during the recalculation should be followed up immediately. In addition, City staff should determine if the hotel should be billed for the incorrect remittance.

Current Status:

Partially implemented – see comment 2018-01.

2014-01 Updating Fee Schedule Timely and Charging Building Permit and Plan Check Fees In Accordance with the Fee Schedule

The fees charged in the City’s Billing System should be accurately calculated based on the Master Fee Schedule approved by City Council. As soon as City Council approves an update to the Master Fee Schedule, the Billing System should be updated timely.

As noted in prior year Memorandum on Internal Control comment 2013-02, we were unable to recalculate nine fiscal year 2013 fees charged. During the fiscal year 2014 interim audit in June 2014, we agreed the permit and plan check fees in the City’s billing system to the fiscal year 2014 Council-approved Fee Schedule online without exception. However, the City’s Information Systems staff indicated that the schedule had not been updated in the system until April 7, 2014. This contradicts the information received during the prior year audit.

To test the calculations after the fee schedule update, we selected twenty-five receipts after April 7, 2014 for building permit fees, electrical fees and plan check fees. However, after testing six of those receipts (two for each of the three fee types: Building Permit, Electrical Permit and Plan Check Fee), we noted variances in the calculations for Building Permit and Plan Check Fees as follows:

	<u>Receipt Number</u>	<u>Fee Charged / Collected</u>	<u>Fee Recalculated using 2014 Master Fee Schedule</u>	<u>Variance</u>
Building Permit	120070	\$7,302.40	\$7,299.44	\$2.96
	118149	825.33	924.25	(98.92)
Plan Check Fee	107885	10,074.69	11,273.82	(1,199.13)
	114970	928.85	829.58	99.27
Electrical Permit	120070	1,460.48	1,460.48	0
	117017	26.13	26.13	0

Upon further discussion with the same Information Technology staff, they were not able to determine the basis for the calculation of the Building Permit or Plan Check Fees above. As a result, the City’s permit fees may include overstated or understated revenues. Licenses, permits and fees received in fiscal year 2014 totaled \$2,457,440.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2014-01 Updating Fee Schedule Timely and Charging Building Permit and Plan Check Fees In Accordance with the Fee Schedule (Continued)

The City must determine and correct the cause(s) of the calculation errors in the Trackit system as soon as possible, including whether the calculation errors extend to other fee-types. The City should also determine whether any corrections to the customer charges should be refunded or imposed. Until the calculations in the Trackit system are deemed reliable, the City must develop procedures to sample fees charged to customers throughout the fiscal year to ensure they are continually calculated correctly.

And, in the future, the City should ensure that the billing system is updated immediately after the Fee Schedule is approved by City Council each fiscal year.

Current Status:

Partially implemented – see comments 2015-01, 2016-01 and 2018-01.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

VALLEJO FLOOD AND WASTEWATER DISTRICT

**STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES**

VFWD 2017-01 Timely Bank Reconciliation Preparation and Review

Bank reconciliations are one of the most important internal controls a District can have, and the bank reconciliation cannot be considered complete until it has been reviewed and approved. To be an effective control, bank reconciliations and the associated review should be completed in their entirety as soon as reasonably possible after each month-end, usually within thirty to forty-five days of the bank statement date. In addition, the date of preparation and review should be documented on the reconciliation or in some formal manner.

During our review of the District's bank reconciliations for the months of December 2016 and March 2017 it appears the District did not prepare and review the bank reconciliations until March 2017 and May 2017 respectively.

District staff indicated that they were behind in preparing and reviewing the bank reconciliations throughout the fiscal year due to limited staff resources.

By not completing and reviewing the bank reconciliations within forty-five days any errors and/or check fraud may not be detected in a timely manner. The Uniform Commercial Codes provide that under certain conditions, the most important being timely bank reconciliation, depositors which detect fraudulent transactions and inform their banks in a timely manner will not be responsible for the fraud loss.

The District must implement procedures to ensure the timely preparation and review of bank reconciliations throughout the fiscal year.

Current Status:

Not implemented – see current year comment VFWD 2018-01.

VFWD 2017-02 Journal Entry Reviews and Approvals

Journal entries are an important transaction cycle that affects all aspects of accounting and financial reporting. Prudent internal control concepts dictate that no single employee should process a transaction without the involvement of another employee. For journal entries, this typically takes the form of a second employee performing a review and approving the proposed entry prior to posting. The review and approval should be documented by a reviewer's signing and dating that their review has been completed and the entry is approved.

We selected forty journal entries for testing and noted two did not have written evidence of approval. Although the two which did not have evidence of approval appeared appropriate, the lack of review represents a significant deficiency and increases the risk of error, improper accounting treatments and potential fraud.

District staff indicated that they were behind in reviewing the journal entries throughout the fiscal year due to limited staff resources.

We recommend that the District implement a procedure that prevents staff from creating entries and posting entries without proper review.

Current Status:

Not implemented – see current year comment VFWD 2018-02.

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CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL
VALLEJO FLOOD AND WASTEWATER DISTRICT
STATUS OF PRIOR YEAR OTHER MATTERS

VFWD 2017-03 Debt Reserve Requirement

The official statement for the 2014 Series A Revenue Bonds states that the District needs to have in a reserve account the lesser of the following: an amount equal to 50% of the maximum annual debt service on the bonds payable between the date of such calculation and the final maturity of the Bonds, 10% of the original principal payment, or 125% of average annual debt service.

During our review of the reserve requirement for the 2014 Series A Revenue Bonds we recalculated the reserve requirement based on the official statement and noted that the District is required to maintain a minimum \$1,157,713. However, our review of the March 2017 BNY Trustee Statements for the reserve fund showed a balance of \$1,156,716. The District was not in compliance with the 2014 Revenue Bond reserve requirement as stipulated in the official statement.

District staff indicated they were unaware it was out of compliance and does not review reserve requirements until year end.

We recommend that the District review on a monthly or quarterly basis the balances of its reserve accounts for all debt issues to ensure they are in compliance with all reserve requirements.

Current Status:
Implemented.

VFWD 2017-04 Vendor Master File Monitoring

Significant changes to the vendor database such as vendor addition, or change to vendor address or payee, should be verified by another employee.

During our control testing during the audit, it was noted that although there is a process for adding vendors to the master file, which is detailed in the Purchasing Policy, no one is monitoring the vendor database for reasonableness. If vendors in the database are not occasionally reviewed for reasonableness, there is an increased risk of a fake vendor being created, thereby increasing fraud risk.

It appears that, in addition to staffing issues, the staff was unaware that it is good practice to periodically monitor the vendor master file for reasonableness.

We recommend the District establish procedures to ensure that the vendor master file is reviewed for reasonableness periodically.

Current Status:
Implemented.

**CITY OF VALLEJO
MEMORANDUM ON INTERNAL CONTROL**

VALLEJO FLOOD AND WASTEWATER DISTRICT

STATUS OF PRIOR YEAR OTHER MATTERS

VFWD 2017-05 Unrestricted Access to Blank Check Stock/Signature Plates

Access to the blank check stock and signature plates should be limited to only employees who process accounts payable and payroll. Check signers should not have unrestricted access to the blank check stock.

During our audit, it was noted that the entire Finance Department has access to the blank check stock and signature plates located in the safe. Blank checks could be used for false transactions which would result in fraudulent transactions. The District has never considered restricting access to the blank check stock.

Current Status:
Implemented.

CITY OF VALLEJO
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED
JUNE 30, 2018

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CITY OF VALLEJO
REQUIRED COMMUNICATIONS
For the Year Ended June 30, 2018

Table of Contents

	<u>Page</u>
<i>Required Communications</i>	1
Significant Audit Findings	1
<i>Accounting Policies</i>	1
<i>Unusual Transactions, Controversial or Emerging Areas</i>	3
<i>Accounting Estimates</i>	3
<i>Disclosures</i>	4
<i>Difficulties Encountered in Performing the Audit</i>	4
<i>Corrected and Uncorrected Misstatements</i>	4
<i>Disagreements with Management</i>	5
<i>Management Representations</i>	5
<i>Management Consultations with Other Independent Accountants</i>	5
<i>Other Audit Findings or Issues</i>	5
Other Information Accompanying the Financial Statements.....	5

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REQUIRED COMMUNICATIONS

To the City Council of
the City of Vallejo, California

We have audited the basic financial statements of the City of Vallejo for the year ended June 30, 2018. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

GASB 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

GASB 75 - Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions (Continued)

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The pronouncement became effective, and as disclosed in Note 12E to the financial statements required a prior period restatement for the cumulative effect on the financial statements.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 81 - Irrevocable Split-Interest Agreements

GASB 85 - Omnibus 2017

GASB 86 - Certain Debt Extinguishment Issues

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. However, transactions related to the dissolution of the former Redevelopment Agency continued to have a material impact to the financial statements:

As discussed in Note 15, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Vallejo Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by a Housing Successor and a Successor Agency effective January 31, 2012. Prior to the Redevelopment Agency dissolution, the Agency Board approved various agreements which obligated it to repay six advances to the City. During fiscal year 2016, the Oversight Board approved three of these loan agreements as an Enforceable Obligation to be listed on future Recognized Obligation Payment Schedules (ROPS) of the Successor Agency, which was not questioned by the California Department of Finance (DOF). In November 2016, the DOF denied the three loans on the Successor Agency's Last and Final ROPS submission, and again denied them on the 2017-18 annual ROPS submission. We understand the City contests the denial, but has not yet determined what action it may take, if any, therefore, the City reported these loans to their full value of \$3,268,019, with an offsetting allowance in the same amount as of June 30, 2018.

The City's position on this matter is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. A provision for an allowance for collectability resulting from the outcome of this uncertain matter has been recorded in the accompanying financial statements.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were as follows:

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 10 to the financial statements and are based on accounting valuations determined by the California Public Employees Retirement System, which are based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liability and OPEB-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net OPEB liability and deferred outflows/inflows of resources are disclosed in Note 11 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Fair Value of Investments: As of June 30, 2018, the City and its discrete component unit held approximately \$243.3 million of cash and investments as measured by fair value as disclosed in Note 2 to the Financial Statements. Fair value is essentially market pricing in effect as of June 30, 2018. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2018.

Estimated Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 5 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Compensated Absences: Accrued compensated absences, which are comprised of accrued vacation and sick leave, is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year, and are disclosed in Note 9 to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Liability for Claims Payable: Management's estimate of the liability for claims payable is disclosed in Note 13 to the financial statements and is based on actuarial studies determined by a consultant, which is based on the claims experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure in Note 15 to the financial statements of the Redevelopment Agency dissolution and the loans from the City.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the City Council.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated December 12, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information which accompany the financial statements, but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has 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.

This information is intended solely for the use of City Council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Mane & Associates

Pleasant Hill, California
December 12, 2018

CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
BASIC COMPONENT UNIT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
Basic Component Unit Financial Statements
For the Year Ended June 30, 2018**

Table of Contents

FINANCIAL SECTION:

Independent Auditor’s Report.....1

Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Position6

 Statement of Activities.....7

 Fund Financial Statements:

 Governmental Funds:

 Balance Sheet10

 Reconciliation of Governmental Funds--Fund Balances with Governmental Net Position12

 Statement of Revenues, Expenditures and Changes in Fund Balances14

 Reconciliation of the Net Change in Fund Balances – Total Governmental
 Funds with the Statement of Activities.....16

 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:
 Administration Program Fund17

 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:
 Voucher Program Fund18

 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:
 Operating Reserve Fund.....19

 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:
 Housing Development Fund20

 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:
 Low Income Housing and Moderate Income Housing Fund.....21

 Notes to Basic Component Unit Financial Statements23

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
Basic Component Unit Financial Statements
For the Year Ended June 30, 2018**

Required Supplementary Information:

Schedule of the Plan's Proportion Share of the Net Pension Liability and Related Ratios as of the Measurement Date.....	44
Schedule of Contributions – Pension Plan	45
Schedule of the OPEB Plan's Proportion Share of the Net OPEB Liability and Related Ratios as of the Measurement Date.....	46
Schedule of Contributions – OPEB Plan.....	47

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Governing Board
of the City of Vallejo Housing Authority
City of Vallejo, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Vallejo Housing Authority (Authority), a component unit of the City of Vallejo, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic component unit 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 Authority'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 Authority'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 basic component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2018, and the respective changes in the financial position and the respective budgetary comparisons listed in the Table of Contents as part of the basic component unit financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of net position as discussed in Notes 6C and 9 to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

As discussed in Note 1, the financial statements present only the Authority and are not intended to present fairly the financial position and results of operations of the City in conformity with generally accepted accounting principles.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

The Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Maye & Associates

Pleasant Hill, California
December 12, 2018

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CITY OF VALLEJO HOUSING AUTHORITY

**STATEMENT OF NET POSITION AND
STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire Authority's financial activities and financial position.

The Statement of Net Position reports the difference between the Authority's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, including all the Authority's capital assets and all its long-term debt. This format focuses the reader on the composition of the Authority's net position.

The Statement of Activities reports increases and decreases in the Authority's net position. It is also prepared on the full accrual basis, which means it includes all the Authority'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 and current liabilities.

The Statement of Activities presents the Authority's expenses that are listed by program first. 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 program. The Authority's general revenues are then listed in the Governmental Activities column and the Change in Net Position is computed and reconciled with the Statement of Net Position.

VALLEJO HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and investments (Note 3)	\$5,057,236
Accounts receivable	106,071
Interest	3,627
Loans receivable (Note 4)	13,298,359
Capital assets (Note 5):	
Nondepreciable	134,000
Depreciable, net of accumulated depreciation	440,446
Total Assets	19,039,739
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions (Note 8)	698,469
Related to OPEB (Note 9)	99,386
Total Deferred Outflows of Resources	797,855
LIABILITIES	
Accounts payable and accrued liabilities	50,942
Deposits payable	108,113
Employee benefits payable - current (Note 7)	41,154
Net pension liability (Note 8)	4,438,703
Net OPEB liability (Note 9)	616,468
Total Liabilities	5,255,380
DEFERRED INFLOWS OF RESOURCES	
Related to pensions (Note 8)	667,156
Related to OPEB (Note 9)	9,847
Total Deferred Inflows of Resources	677,003
NET POSITION (Note 6)	
Net investment in capital assets	574,446
Restricted for:	
Section 8 voucher program	6,151
Low and Moderate income housing program	14,420,279
Unrestricted	(1,095,665)
Total Net Position	\$13,905,211

See accompanying notes to financial statements

VALLEJO HOUSING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Community development	\$111,419		\$133,132	\$21,713
Section 8 - Voucher	20,333,071		20,318,979	(14,092)
Section 8 - Administration	2,211,663	\$43,105	1,807,354	(361,204)
Total Governmental Activities	\$22,656,153	\$43,105	\$22,259,465	(353,583)
General revenues:				
Use of money and property				217,558
Transfers from the City (Note 1G)				58,125
Total general revenues and transfers				275,683
Change in Net Position				(77,900)
Net Position-Beginning, as Restated (Note 6C)				13,983,111
Net Position-Ending				\$13,905,211

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

The **Section 8 Administration and Voucher Program Funds** are used to provide separate accountability for the HUD Housing Choice Voucher program and its administrative grant allocations.

The **Section 8 Operating Reserve Fund** is used to track pre-2004 administrative grant funds that can be used for any general housing purposes.

The **Housing Development Fund** reports the status of non-federal, unrestricted Housing Authority resources.

The **Low Income Housing and Moderate Income Housing Asset Fund** accounts for the activities related to the housing assets assumed by the Authority as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for low and moderate income households.

VALLEJO HOUSING AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	Section 8			Housing Development Fund #124
	Administration Program Fund #121	Voucher Program Fund #123	Operating Reserve Fund #122	
ASSETS				
Cash and investments (Note 3)	\$1,421,341	\$79,680	\$971,440	\$543,730
Receivables:				
Accounts	57,313	48,758		
Interest			3,627	
Loans (Note 4)			919,125	
Total Assets	<u>\$1,478,654</u>	<u>\$128,438</u>	<u>\$1,894,192</u>	<u>\$543,730</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$35,325	\$14,174	\$1,443	
Deposits payable		108,113		
Total Liabilities	<u>35,325</u>	<u>122,287</u>	<u>1,443</u>	
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - loans receivable				
Total Deferred Inflows of Resources				
FUND BALANCE (Note 6)				
Restricted	<u>1,443,329</u>	<u>6,151</u>	<u>1,892,749</u>	<u>\$543,730</u>
Total Fund Balances	<u>1,443,329</u>	<u>6,151</u>	<u>1,892,749</u>	<u>543,730</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,478,654</u>	<u>\$128,438</u>	<u>\$1,894,192</u>	<u>\$543,730</u>

See accompanying notes to financial statements

Low Income Housing and Moderate Income Housing Asset Fund #126	Total Governmental Funds
\$2,041,045	\$5,057,236
	106,071
	3,627
<u>12,379,234</u>	<u>13,298,359</u>
<u>\$14,420,279</u>	<u>\$18,465,293</u>
	\$50,942
	<u>108,113</u>
	<u>159,055</u>
<u>\$2,865,652</u>	<u>2,865,652</u>
<u>2,865,652</u>	<u>2,865,652</u>
<u>11,554,627</u>	<u>15,440,586</u>
<u>11,554,627</u>	<u>15,440,586</u>
<u>\$14,420,279</u>	<u>\$18,465,293</u>

VALLEJO HOUSING AUTHORITY
 Reconciliation of
 GOVERNMENTAL FUNDS -- FUND BALANCES
 with
 GOVERNMENTAL NET POSITION
 JUNE 30, 2018

Fund balances, as reported on Governmental Funds Balance Sheet	\$15,440,586
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:</p>	
<p>Capital assets:</p>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	574,446
<p>Accrual of non-current revenues and expenses:</p>	
Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	2,865,652
<p>Long -term liabilities:</p>	
Compensated absences	(41,154)
Net pension liability and pension-related deferred outflows/inflows of resources	(4,407,390)
Net OPEB liability and OPEB-related deferred outflows/inflows of resources	<u>(526,929)</u>
Net position of Governmental Activities, as reported on the Statement of Net Position	<u><u>\$13,905,211</u></u>

See accompanying notes to financial statements

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VALLEJO HOUSING AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Section 8			Housing Development Fund #124
	Administration Program Fund #121	Voucher Program Fund #123	Operating Reserve Fund #122	
REVENUES				
Intergovernmental	\$1,807,354	\$20,318,979		
Use of money and property	6,811		\$5,161	\$3,028
Other	3,315	3,315		36,475
Total Revenues	1,817,480	20,322,294	5,161	39,503
EXPENDITURES				
Current:				
Community development				90,620
Section 8 - Voucher		20,333,071		
Section 8 - Administration	1,860,820		8,858	
Total Expenditures	1,860,820	20,333,071	8,858	90,620
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(43,340)	(10,777)	(3,697)	(51,117)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 1G)				
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	(43,340)	(10,777)	(3,697)	(51,117)
FUND BALANCES, JULY 1	1,486,669	16,928	1,896,446	594,847
FUND BALANCES, JUNE 30	\$1,443,329	\$6,151	\$1,892,749	\$543,730

See accompanying notes to financial statements

Low Income Housing and Moderate Income Housing Asset Fund #126	Total Governmental Funds
	\$22,126,333
\$141,925	156,925
	43,105
<u>141,925</u>	<u>22,326,363</u>
	90,620
	20,333,071
	<u>1,869,678</u>
	<u>22,293,369</u>
<u>141,925</u>	<u>32,994</u>
<u>58,125</u>	<u>58,125</u>
<u>58,125</u>	<u>58,125</u>
200,050	91,119
<u>11,354,577</u>	<u>15,349,467</u>
<u>\$11,554,627</u>	<u>\$15,440,586</u>

VALLEJO HOUSING AUTHORITY
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

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

Net change in fund balances, as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$91,119
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Capital asset transactions:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay and other capital expenditures are therefore added back to fund balance	6,947
Depreciation expense is deducted from the fund balance	(27,746)

Accrual of non-current items:

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Unavailable revenue	193,765
Net pension liability and pension-related deferred outflows/inflows of resources	(431,175)
Net OPEB liability and OPEB-related deferred outflows/inflows of resources	35,518
Compensated absences	<u>53,672</u>

Change in net position of governmental activities, as reported on the Statement of Activities	<u><u>(\$77,900)</u></u>
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See accompanying notes to financial statements

VALLEJO HOUSING AUTHORITY
ADMINISTRATION PROGRAM FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$1,911,000	\$1,911,000	\$1,807,354	(\$103,646)
Use of money and property	1,169	1,169	6,811	5,642
Other	<u>10,000</u>	<u>10,000</u>	<u>3,315</u>	<u>(6,685)</u>
Total Revenues	<u>1,922,169</u>	<u>1,922,169</u>	<u>1,817,480</u>	<u>(104,689)</u>
EXPENDITURES:				
Current:				
Community development				
Section 8 - Administration	<u>2,293,891</u>	<u>2,293,940</u>	<u>1,860,820</u>	<u>433,120</u>
Total Expenditures	<u>2,293,891</u>	<u>2,293,940</u>	<u>1,860,820</u>	<u>433,120</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(371,722)</u>	<u>(371,771)</u>	<u>(43,340)</u>	<u>328,431</u>
NET CHANGE IN FUND BALANCE	<u>(\$371,722)</u>	<u>(\$371,771)</u>	<u>(43,340)</u>	<u>\$328,431</u>
Fund balance, July 1			<u>1,486,669</u>	
Fund balance, June 30			<u>\$1,443,329</u>	

See accompanying notes to financial statements

VALLEJO HOUSING AUTHORITY
VOUCHER PROGRAM FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$21,500,000	\$21,500,000	\$20,318,979	(\$1,181,021)
Other	6,000	6,000	3,315	(2,685)
Total Revenues	<u>21,506,000</u>	<u>21,506,000</u>	<u>20,322,294</u>	<u>(1,183,706)</u>
EXPENDITURES:				
Current:				
Community development				
Section 8 - Voucher	21,125,000	21,125,000	20,333,071	791,929
Total Expenditures	<u>21,125,000</u>	<u>21,125,000</u>	<u>20,333,071</u>	<u>791,929</u>
NET CHANGE IN FUND BALANCE	<u>\$381,000</u>	<u>\$381,000</u>	<u>(10,777)</u>	<u>(\$391,777)</u>
Fund balance, July 1			<u>16,928</u>	
Fund balance, June 30			<u>\$6,151</u>	

See accompanying notes to financial statements

VALLEJO HOUSING AUTHORITY
 OPERATING RESERVE FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	<u>\$1,056</u>	<u>\$1,056</u>	<u>\$5,161</u>	<u>\$4,105</u>
Total Revenues	<u>1,056</u>	<u>1,056</u>	<u>5,161</u>	<u>4,105</u>
EXPENDITURES:				
Current:				
Community development				
Section 8 - administration	<u>50,000</u>	<u>50,000</u>	<u>8,858</u>	<u>41,142</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>8,858</u>	<u>41,142</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$48,944)</u></u>	<u><u>(\$48,944)</u></u>	<u>(3,697)</u>	<u><u>\$45,247</u></u>
Fund balance, July 1			<u>1,896,446</u>	
Fund balance, June 30			<u><u>\$1,892,749</u></u>	

See accompanying notes to financial statements

VALLEJO HOUSING AUTHORITY
HOUSING DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
Use of money and property	\$524	\$524	\$3,028	\$2,504
Other	<u>26,000</u>	<u>26,000</u>	<u>36,475</u>	<u>10,475</u>
Total Revenues	<u>26,524</u>	<u>26,524</u>	<u>39,503</u>	<u>12,979</u>
EXPENDITURES:				
Current:				
Community development	<u>70,522</u>	<u>70,522</u>	<u>90,620</u>	<u>(20,098)</u>
Total Expenditures	<u>70,522</u>	<u>70,522</u>	<u>90,620</u>	<u>(20,098)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(43,998)</u>	<u>(43,998)</u>	<u>(51,117)</u>	<u>(7,119)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$43,998)</u></u>	<u><u>(\$43,998)</u></u>	<u>(51,117)</u>	<u><u>(\$7,119)</u></u>
Fund balance, July 1			<u>594,847</u>	
Fund balance, June 30			<u><u>\$543,730</u></u>	

See accompanying notes to financial statements

VALLEJO HOUSING AUTHORITY
 LOW INCOME HOUSING AND MODERATE INCOME HOUSING FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$141,114	\$141,114	\$141,925	\$811
Total Revenues	141,114	141,114	141,925	811
EXPENDITURES:				
Current:				
Community development	924,265	924,265		924,265
Total Expenditures	924,265	924,265		924,265
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(783,151)	(783,151)	141,925	925,076
OTHER FINANCING SOURCES (USES)				
Transfers in			58,125	58,125
NET CHANGE IN FUND BALANCE	(\$783,151)	(\$783,151)	200,050	\$983,201
Fund balance, July 1			11,354,577	
Fund balance, June 30			\$11,554,627	

See accompanying notes to financial statements

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**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Financial Reporting Entity*

The Vallejo Housing Authority was formed in June 1942 and is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe, and sanitary housing through federal assistance programs and a mortgage revenue bond program. The Housing Authority is governed by a Board of Commissioners composed of all the members of the City Council of Vallejo and two tenants of the Housing Authority.

The Authority is an integral part of the City of Vallejo and accordingly is also reported as a component unit within the basic financial statements issued by the City.

B. *Basis of Presentation*

The Authority's Basic Financial Statements are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

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

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the Authority). These statements include the financial activities of the overall Authority.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's 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 investment income, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. Separate statements are presented for each governmental fund.

C. *Major Funds*

The Authority reports the following major governmental funds in the accompanying financial statements:

Section 8 – Administration and Voucher Program Funds are used to provide separate accountability for the HUD Housing Choice Voucher program and its administrative grant allocations.

CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Section 8 – Operating Reserve Fund is used to track pre-2004 administrative grant funds that can be used for any general housing purposes.

Housing Development Fund reports the status of non-federal, unrestricted housing authority resources.

Low Income Housing and Moderate Income Housing Asset Fund accounts for the activities related to the housing assets assumed by the Authority as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for low and moderate income households.

D. Basis of Accounting

The government-wide 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.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenues for Section 8 program is recognized in the year of the Federal Housing and Urban Development (HUD) allocation.

The Authority may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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 Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. This period is extended to one year for grant programs. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and accumulated unpaid vacation, sick pay and other employee amounts, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 Authority 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 – that 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.

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Authority has deferred outflows of resources related to pensions and OPEB as discussed in Note 8 and Note 9, respectively.

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Housing Authority has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from notes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Authority also has two types of items, which only arise under the full-accrual basis of accounting that is reported in this category, which are deferred inflows of resources related to pensions and OPEB as discussed in Note 8 and Note 9, respectively.

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Transfers to and from the City*

As the Successor Agency repays certain loan balances due to the City, under the provisions of Health and Safety Code Section 34191.4(3)(C), the City is required to transfer 20% of the repayment amount to the Low Income Housing and Moderate Income Housing Fund. To fulfill the requirement for the transfer of the 20% of the fiscal year 2018 repayment of \$58,125 the City's Bridge Construction Fund, Hiddenbrooke Overpass Fund, and Arts & Convention Center Fund transferred the amounts of \$5,911, \$5,801, and \$46,413, respectively, to the Housing Authority's Low Income Housing and Moderate Income Housing Fund.

H. *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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgets and Budgetary Accounting*

The Authority's Executive Director submits a proposed budget to the Board 45 days prior to the end of the year, per City Charter. The Board holds public hearings, modifies the Executive Director's recommendations, and adopts a final budget by resolution prior to June 30 of each year. The annual budget indicates appropriations by fund or, in some instances, by program. Supplemental appropriations were adopted by the Board during the year. The Executive Director is authorized to transfer budgeted amounts between accounts within a fund. Any revisions or transfers that alter the total appropriations of any Fund must be approved by the Board.

Budget information in the accompanying schedules is presented for all major governmental funds on the modified accrual basis of accounting and in conformity with generally accepted accounting principles.

B. *Encumbrance Accounting*

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end do not lapse and are included as part of the following year budget.

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 3 – POOLED CASH AND INVESTMENTS

The Authority maintains its surplus cash and HUD advances in a dedicated bank sweep account and the Local Agency Investment Fund. Other cash receipts and disbursements, including payroll, are processed by City staff which administer Authority activities. These cash transactions are recorded in the City’s main checking account with transactions allocated to each applicable fund of the City and its component units pending periodic reimbursement and settlement of inter-agency balances.

Cash and investments in the financial statements consist of:

Cash on hand	\$450
Deposits	4,293,524
Investments held with California Local Agency Investment Fund	763,262
Total cash and investments	\$5,057,236

The California Government Code requires California banks and savings and loan associations to secure 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 Authority’s name. The market value of pledged securities must equal at least 110% of the Authority’s cash deposits. California law also allows institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority’s total cash deposits. The Authority has waived collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The Authority 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 Authority 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 is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, however, each account is limited to fifteen transactions per month. 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, 2018, these investments have an average maturity of 193 days.

Investments Authorized by the California Government Code and the City’s Investment Policy

The Authority’s investments are controlled and managed by City staff under the City’s Investment Policy and the California Government Code which permit the following investments, provided the credit ratings of the issuers are acceptable and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Investment Policy if more restrictive, that address interest rate risk, credit risk and concentration of credit risk.

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 3 – POOLED CASH AND INVESTMENTS (Continued)

The investment policy authorizes the following investments:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Government Treasury Bills, Bonds and Notes	5 Years	No Limit	No Limit	No Limit
U.S. Government Agencies and Government Sponsored Enterprises	5 Years	No Limit	50%	No Limit
Repurchase Agreements	30 days	No Limit	20%	No Limit
Bankers Acceptances	180 days	No Limit	5%	\$1,000,000
Commercial Paper	270 days	Highest Rating	25%	\$1,000,000
Corporate Medium Term Notes:				
Maturing in 3 years or less	5 Years	A	30%	5%
Maturing in 3 to 5 years	5 Years	AA	30%	5%
Certificates of Deposit	5 Years	No Limit	10%	No Limit
Negotiable Certificates of Deposit	5 Years	AA	5%	No Limit
Local Agency Investment Fund State Pool	No Limit	No Limit	\$65 million per account	No Limit
State of California or Local Agency Bonds	5 Years	A	10%	No Limit
Mutual Funds and Money Market Mutual Funds	On Demand	Highest Rating	10%	10%
Asset Backed Securities	5 Years	AAA	20%	No Limit
Mortgage Backed Securities or Collateralized Mortgage Obligations	5 Years	AAA	20%	No Limit
Local Government Investment Pools	On Demand	No Limit	No Limit	No Limit
Municipal Bonds of Other States	5 Years	AA	10%	5%

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 4 – LOANS RECEIVABLE

A. Summary of Loans Receivable

The following loans receivable were outstanding as of June 30, 2018:

Types of Loans	Amounts
Affordable housing (20% Set Aside):	
Avian Glen	\$3,093,750
Eden Housing/Sereno Village	2,500,000
Simpson/Bayview	1,536,843
Marina Towers	750,000
Simpson/Solano Vista I	500,000
Single family residential	382,989
Temple Arts Lofts	750,000
Accrued interest	2,865,653
Residential Rehabilitation	246,592
Vallejo Housing Collaborative	672,532
	\$13,298,359

B. Affordable Housing

Under the provisions of AB 1484, the City’s Housing Authority elected to become the Housing Successor and retain the housing assets of the former Redevelopment Agency. On February 1, 2012 certain former Redevelopment Agency housing assets were transferred to the Housing Authority which are reported in the Low Income and Moderate Income Housing Asset Fund as the Authority has control of those assets, which are to be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

Various residential purchase and rehabilitation loan programs were offered to qualifying low- to moderate-income individuals by the former Redevelopment Agency. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans range from 3.0% to 8.0% and the principal maturity dates range from 5 years to 30 years. Deferred interest loans are offered as well as below-market-rate 30-year loans. Interest income is recorded as payments are received. In addition, the former Redevelopment Agency had entered into agreements with developers to assist in the development of affordable housing. The notes receivable are secured by deeds of trust and bear varying interest rates.

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 4 – LOANS RECEIVABLE (Continued)

C. Residential Rehabilitation

The residential rehabilitation loan is a single loan to Temple Art Lofts with an agreement that the principal shall be due and payable in full upon the 55th anniversary of the date of the note which is December 15, 2011. As long as no Event of Default occurs prior to the maturity date, borrower shall not be obliged to pay periodic payments of principal and or interest on the principal amount. The outstanding balance at June 30, 2018 remains at \$246,592.

D. Vallejo Housing Collaborative

In July 2014, the Housing Authority entered into a loan agreement with Vallejo Housing Collaborative, LLC, in the amount of \$900,000. The proceeds of the loan will be used to acquire, rehabilitate and operate from ten to twelve properties that are improved with housing to provide permanent housing for extremely low income individuals and households transitioning from homelessness. The loan bears simple interest of 3% and is repayable from residual receipts as defined in the agreement. The loan will be secured by up to twelve deeds of trust on the properties and unpaid principal and interest is due on or before the thirtieth anniversary of the promissory note. As of June 30, 2018, the developer had drawn down \$672,532 of the loan proceeds.

NOTE 5 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. 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 half year convention 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, but only half of the full year depreciation is charged in the first year, while the other half is charged in the last year of depreciation or in the year the asset is sold or retired. The Authority has assigned the useful lives and capitalization thresholds listed below to capital assets:

	Useful Lives	Capitalization Threshold
Building and improvements	5-50 years	\$50,000
Machinery and equipment	5-25 years	5,000

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 5 – CAPITAL ASSETS (Continued)

Improvements to existing infrastructure assets in excess of \$50,000 are capitalized if: the estimated useful life of the existing asset has been extended by at least 25%; the capacity of the existing asset has been substantially improved; or the quality of the output of the existing asset has been substantially improved. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital asset additions, retirements and balances as of June 30, 2018 are as follows:

	Balance at June 30, 2017	Additions	Balance at June 30, 2018
<i>Governmental activities</i>			
Capital assets not being depreciated:			
Land	\$134,000		\$134,000
Total capital assets not being depreciated	134,000		134,000
Capital assets being depreciated:			
Buildings and improvements	763,124		763,124
Machinery and equipment	16,702	\$6,947	23,649
Total capital assets being depreciated	779,826	6,947	786,773
Less accumulated depreciation for:			
Buildings and improvements	(307,881)	(25,717)	(333,598)
Machinery and equipment	(10,700)	(2,029)	(12,729)
Total accumulated depreciation	(318,581)	(27,746)	(346,327)
Net capital assets being depreciated	461,245	(20,799)	440,446
Governmental activity capital assets, net	\$595,245	(\$20,799)	\$574,446

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 6 – NET POSITION AND FUND BALANCES

A. *Net Position – Statement of Net Position*

Net Position is the excess of all the Authority's assets and deferred outflow over all its liabilities and deferred inflow, regardless of fund. Net Position are divided into the following captions on the Statement of Net Position.

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the Authority's capital assets.

Restricted for Section 8 Voucher Program describes the portion of Net Position restricted for HUD Section 8 Voucher program only.

Unrestricted describes the portion of Net Position which is not restricted as to use.

B. *Fund Balance – Governmental Funds Balance Sheet*

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The Authority's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Authority prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Board which may be altered only by resolution of the Board. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the Authority's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board and may be changed at the discretion of the Board. This category includes encumbrances; non-spendables, when it is the Authority's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 6 – NET POSITION AND FUND BALANCES (Continued)

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

As of June 30, 2018, the Authority’s fund balances consist only of restricted balances.

C. Restatement

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2018.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net OPEB liability and a more comprehensive measure of other post-employment benefits expense.

The implementation of the above Statement required the Authority to make prior period adjustments. As a result, the beginning net position of the Governmental Activities was restated and reduced by \$562,447. See Note 9 for additional information.

NOTE 7 – CITY OF VALLEJO EMPLOYEE BENEFITS

Housing Authority services are provided by City of Vallejo employees. The Authority reimburses the City for its service costs on a monthly basis. Pension benefits liabilities are discussed in Note 8. Health retirement benefits liabilities are discussed in Note 9.

Compensated absences consist of vested vacation and sick leave. Compensated absences activity for the Authority for the year ended June 30, 2018 is as follows:

	Governmental Activities
Compensated Absences Activity:	
Beginning balance	\$94,826
Additions	109,933
Deletions	(163,605)
Ending balance - Current	\$41,154

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 8 – PENSION PLAN

A. General Information

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

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits for the Miscellaneous Plan. 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. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

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

	Miscellaneous	
	Classic Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	10.645%	10.645%
Required Unfunded Accrued Liability Contribution	\$198,576	

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law 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 the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to *finance* any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the Authority’s contributions to the Plan were \$285,947.

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 8 – PENSION PLAN (Continued)

B. Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

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

As of June 30, 2018, the Authority reported its proportionate share of the net pension liability of the City's Miscellaneous Plan of \$4,438,703.

The Authority's net pension liability is measured as the proportionate share of the net pension liability of the City's Miscellaneous Plan. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	3.40%
Proportion - June 30, 2017	3.51%
Change - Increase (Decrease)	0.11%

For the year ended June 30, 2018, the Authority recognized pension expense of \$329,592. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$285,947	
Differences between expected and actual experience	7,948	(\$47,968)
Changes in assumptions	312,408	
Differences in actual contributions and proportionate share of contributions	1,326	
Differences due to change in proportion		(619,188)
Net differences between projected and actual earnings on plan investments	90,840	
Total	\$698,469	(\$667,156)

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 8 – PENSION PLAN (Continued)

\$285,947 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Annual Amortization
2019	(\$164,788)
2020	(42,348)
2021	(4,096)
2022	(43,402)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.5% (2)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Mortality	Derived using CalPERS Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 8 – PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Miscellaneous Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Miscellaneous plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS’ website under the GASB 68 section.

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.

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

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

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

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 8 – PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Housing Authority’s proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the Housing Authority’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 (dollars in thousands):

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$5,108,192
Current Discount Rate	7.15%
Net Pension Liability	\$4,438,703
1% Increase	8.15%
Net Pension Liability	\$2,900,107

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

C. Payable to the Pension Plan

At June 30, 2018, the Housing Authority reported a payable of \$5,871 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 9 – POST-EMPLOYMENT BENEFITS

A. General Information

Plan Descriptions – All qualified regular and probationary employees are eligible to participate in the City’s Post Employment Benefit Plan, an agent multiple-employer defined benefit pension plan. Employees and their dependents are eligible for the CalPERS post-retirement health benefits if they retire directly from the Authority retaining the Public Employees Medical and Hospital Care Act (PEMHCA) health benefits. The Authority pays the retiree and eligible dependent premiums up to benefit level established in the collective bargaining agreement for each employee organization.

For the year ended June 30, 2018, the Authority’s contributions to the Plan were \$99,386.

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)

B. Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2018, the Authority reported its proportionate share of the net OPEB liability of the City's OPEB Plan of \$616,468.

The Authority's net OPEB liability is measured as the proportionate share of the net OPEB liability of the City's Plan. The net OPEB liability of the Plan is measured as of June 30, 2017, and the total OPEB liability for the Plan used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Authority's proportion of the net OPEB liability was based on the number of full-time employees. The Authority's proportionate share of the net OPEB liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	2.65%
Proportion - June 30, 2017	<u>2.29%</u>
Change - Increase (Decrease)	<u><u>-0.36%</u></u>

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$35,518. At June 30, 2018, the Authority reported deferred outflows of resources and deferred 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	\$99,386	
Net differences between projected and actual earnings on plan investments		(\$9,847)
Total	\$99,386	(\$9,847)

\$99,386 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$2,462)
2020	(2,462)
2021	(2,462)
2022	(2,461)

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions – The Authority’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

The actuarially determined contribution (ADC) was determined as part of a June 30, 2016 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.50% investment rate of return, (b) 2.75% general inflation rate, and (c) 7.50% to 5.0% declining health inflation. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The actuarial accrued liability (AAL) representing the present value of future benefits, is being amortized as a level percentage of projected payroll using a 30 year amortization period.

The underlying mortality assumptions were based on the CalPERS 1997-2011 experience study and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a June 30, 2016 actuarial experience study for the period.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.0%	4.82%
Fixed Income	27.0%	1.47%
TIPS	5.0%	1.29%
Commodities	3.0%	0.84%
REITs	8.0%	3.76%
Assumed Long-term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return		6.50%

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates - The following presents the net OPEB liability of the Authority, as well as what the Authority's 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:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(5.50 %)	(6.50%)	(7.50%)
\$728,747	\$616,468	\$522,280

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
Healthcare Trend Rate		
1% Decrease	Current Trend	1% Increase
(6.50% - 4.0%)	(7.50% - 5.0%)	(8.50% - 6.0%)
\$544,379	\$616,468	\$714,778

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued plan financial report that may be obtained from CERBT.

**CITY OF VALLEJO, CALIFORNIA
HOUSING AUTHORITY
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For The Year Ended June 30, 2018**

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. *Federal Grant Programs*

The Authority participates in several federal grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, except as noted under Grant Program – Disallowed Costs below.

B. *Grant Program – Disallowed Costs*

During fiscal year 2018, the Authority was subject to a monitoring visit by the Department of Housing and Urban Development (HUD) of the Authority's Housing Choice Voucher (HCV) Program funds. In its November 2018 report, HUD listed six findings covering various activities performed over a fifteen year period applicable to the program and disallowed costs approximating \$3.9 million. Authority staff objects to the claim and intends to provide responses to the findings, including assembling and providing additional documentation to HUD. As of November 2018, the final amount of disallowed costs cannot be determined at this time.

REQUIRED SUPPLEMENTARY INFORMATION

**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years***
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement Date	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Plan's proportion of the Net Pension Liability (Asset)	4.17000%	3.72000%	3.40000%	3.51000%
Plan's proportion share of the Net Pension Liability (Asset)	\$3,426,461	\$3,630,322	\$4,115,716	\$4,438,703
Plan's Covered Payroll	\$811,571	\$757,353	\$810,158	\$727,972
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	419.36%	479.34%	508.01%	609.74%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	67.01%	65.15%	60.84%	60.39%

* Fiscal year 2015 was the first year of implementation.

**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions
Last 10 Fiscal Years***

	<u>Fiscal Year Ended June 30, 2015</u>	<u>Fiscal Year Ended June 30, 2016</u>	<u>Fiscal Year Ended June 30, 2017</u>	<u>Fiscal Year Ended June 30, 2018</u>
Actuarially determined contribution	\$219,395	\$236,613	\$268,210	\$285,947
Contributions in relation to the actuarially determined contributions	<u>(219,395)</u>	<u>(236,613)</u>	<u>(268,210)</u>	<u>(285,947)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$757,353	\$810,158	\$727,972	\$833,809
Contributions as a percentage of covered payroll	28.97%	29.21%	36.84%	34.29%

* Fiscal year 2015 was the first year of implementation.

Source: City of Vallejo's general ledger

**Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan
Last 10 Years***
**SCHEDULE OF THE OPEB PLAN'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement Date	<u>6/30/2017</u>
Plan's proportion of the Net OPEB Liability (Asset)	2.29%
Plan's proportion share of the Net OPEB Liability (Asset)	\$616,468
Plan's Covered-Employee Payroll	\$817,691
Plan's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered- Employee Payroll	75%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	40%

* Fiscal year 2018 was the first year of implementation.

**Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan
Last 10 Years*
Schedule of Contributions**

Fiscal Year Ended June 30,	<u>2018</u>
Actuarially determined contribution	\$68,563
Contributions in relation to the actuarially determined contribution	<u>99,386</u>
Contribution deficiency (excess)	<u><u>(\$30,823)</u></u>
Covered-employee payroll	<u><u>\$911,152</u></u>
Contributions as a percentage of covered-employee payroll	10.91%

* Fiscal year 2018 was the first year of implementation and therefore, only one year is shown.

Source: City of Vallejo's general ledger

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CITY OF VALLEJO

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR MARE ISLAND BASE REUSE FUND
STATEMENT OF SOURCES AND USES OF
SALE AND LEASE PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2018**

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR MARE ISLAND BASE REUSE FUND
STATEMENT OF SOURCES AND USES OF
SALE AND LEASE PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2018**

To the Honorable Members of the City Council
City of Vallejo, California

We have performed the procedures described below, which were agreed to by the City of Vallejo (City), solely to assist the City in evaluating the accompanying Statement of Sources and Uses of Sale and Lease Proceeds of the City as a Local Redevelopment Authority for the former Mare Island Naval Shipyard, Vallejo, California, for the year ended June 30, 2018 and the accompanying Balance Sheet as of June 30, 2018 (Statements). The City's management is responsible for the Statements. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- A. We read the Background information prepared by City Management, pertaining to the agreement between the United States Navy (U.S. Navy) and the City.

Findings: None

- B. After reading the agreement, we traced the revenues presented on the Statement of Sources and Uses of Sale and Lease Proceeds to the Mare Island Base Reuse Special Revenue Fund in the audited financial statements of the City for the year ended June 30, 2018. We verified, on a test basis, that revenues from other activities have been excluded.

Findings: None

- C. We verified, on a test basis, that the expenditures presented on the Statement of Sources and Uses of Sale and Lease Proceeds for the year ended June 30, 2018 sufficiently show the uses of the proceeds that are to be used only for activities outlined in the agreement between the U.S. Navy and the City.

Findings: None

- D. We verified the accompanying balance sheet presents the assets, liabilities and equity of the sale and leasing activities of the City as of June 30, 2018.

Findings: None

- E. We verified that balances unrelated to the agreement have been excluded from the Statement of Sources and Uses of Sale and Lease Proceeds and the Balance Sheet as of and for the year ended June 30, 2018.

Findings: None

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Statements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maye & Associates

Pleasant Hill, California
December 12, 2018

City of Vallejo
Fund 107 - Mare Island Base Reuse Fund
Balance Sheet
June 30, 2018

ASSETS:	
Cash	\$ 737,890
Restricted cash and investments	-
Accounts receivable	<u>1,170</u>
TOTAL ASSETS	<u><u>\$ 739,060</u></u>
 LIABILITIES AND EQUITY:	
Accounts/vouchers payable	\$ 19,506
Deposits payable	7,785
Unearned revenue	<u>31,048</u>
TOTAL LIABILITIES	<u>58,339</u>
EQUITY	<u>680,721</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 739,060</u></u>

See Independent Accountant's Report on Applying Agreed Upon Procedures

City of Vallejo
Fund 107 - Mare Island Base Reuse Fund
Statement of Sources and Uses of Sale and Lease Proceeds
For The Year Ended June 30, 2018

Proceeds from Lease of Property:

1. Lease revenues \$ 221,372

Other Proceeds:

2. Charges for services-Historical Foundation Community Facilities District Assessment 3,581

3. Interest income on proceeds 3,183

Total proceeds during reporting period 228,136

Allowable Uses of Proceeds:

1. Police and fire protection facilities and other public facilities 195,099

2. Planning for, or the marketing of, the redevelopment and reuse of the former
Mare Island Naval Shipyard 163,200

3. Building Rehabilitation 240,813

4. Landscaping, grading and other site/public improvements 241,000

Total expended during reporting period 840,112

CHANGE IN RECOGNIZED PROCEEDS FOR THE YEAR (611,976)

BALANCE IN RECOGNIZED PROCEEDS AT BEGINNING OF YEAR 1,292,697

BALANCE IN RECOGNIZED PROCEEDS AT END OF YEAR \$ 680,721

See Independent Accountant's Report on Applying Agreed Upon Procedures

BACKGROUND

Prepared by City Management

Mare Island Naval Shipyard

In 1851 President Millard Fillmore determined the Navy required a Shipyard on the West Coast. That same year Commodore John Drake Sloat was assigned to select a viable site for the first west coast Naval Shipyard. After review and visits to a number of sites, he recommended establishment of the shipyard on Mare Island, one of a number of Islands in San Francisco Bay. In July 1852 the Mare Island Naval Shipyard was approved and Congress appropriated \$100,000 to build the facility. On September 16, 1854 Commander David Glasgow Farragut and his wife Virginia arrived in Vallejo and commissioned the Naval Shipyard at Mare Island. Over the next 142 years, the Shipyard built over 153 crafts and overhauled over 10,000 ships and naval crafts, ranging from wooden paddle-wheel steamers to nuclear-powered ballistic submarines. The Shipyard also built the first radio installations on the Pacific Coast, converted the first Navy ship to burn fuel oil, provided the Navy with its first Marine Barracks, built the first Naval Hospital and military brig on the West Coast, converted the first ship to be used as an aircraft carrier and built the Navy's first interdenominational chapel.

In June 1993, the Defense Base Realignment and Closure Commission (BRAC) recommended the closure of the shipyard. President Clinton accepted the recommendation that same month, and Congress confirmed the closure in October 1993. The Shipyard was decommissioned on April 1, 1996. Acting as the designated Local Redevelopment Authority for the Naval Shipyard and associated facilities, the City of Vallejo approved the Final Reuse Plan on July 26, 1994. On September 30, 1999 the Department of the Navy and the City of Vallejo signed a memorandum of Agreement to convey approximately 1,412 acres to the City for redevelopment into a mixed use community.

No Cost Economic Development Conveyance

The President signed into law on October 5, 1999 legislation amending Section 2905(b) (4) of the Defense Base Closure and Realignment Act of 1990 authorizing the Secretary of the Navy to convey surplus property at a closing installation to a Local Redevelopment Authority at no cost for economic development purposes. On August 7, 2000 the City of Vallejo requested to modify the existing Memorandum of Agreement (MOA) to eliminate the consideration required by the MOA. On July 2, 2003 the City and the Navy entered into Amendment Number 2 to the Memorandum of Agreement eliminating the requirement for the City to repay the Government from profits generated by sale of property on the Island. The 1999 legislation and the amended Memorandum of Agreement requires local redevelopment authorities to reinvest proceeds from the use of former military bases for the first 7 years after acceptance of applicable Quitclaim Deeds. The reinvestment of proceeds must support job-generation and economic development activities.

These allowable activities included reimbursement of the following categories:

1. Road construction
2. Transportation management facilities
3. Storm and sanitary sewer construction
4. Police and fire protection facilities and other public facilities
5. Utility construction
6. Building rehabilitation
7. Historic property preservation
8. Pollution prevention equipment or facilities
9. Demolition
10. Disposal of hazardous materials generated by demolition
11. Landscaping grading and other site or public improvements
12. Planning for or the marketing of the redevelopment and reuse of the Property.

To ensure compliance with the no-cost legislation, the Department of Defense requires Local Redevelopment Authorities to submit financial statements that account for the reinvestment of proceeds by the approved categories for a minimum period of 7 years from the date of property conveyance.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE WITH BOND COVENANTS
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the City Council of
the City of Vallejo, California

We have audited, in accordance with the 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, the basic financial statements of City of Vallejo, California, which include the Successor Agency to the Redevelopment Agency of the City of Vallejo, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2018. The report included emphasis of matters paragraphs concerning loans to the Successor Agency and the implementation of a new Governmental Accounting Standards Board Statement.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies and items 2017-03, 2017-04 and 2016-01 on the Status of Prior Year Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated December 12, 2018, which is an integral part of our audit and should be read in conjunction with this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our tests included procedures to test the City's compliance with the accounting and financial provisions of Section 5.05 of the Indenture of Trust dated August 1, 2001 with Wells Fargo Bank, National Association. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, except as follows:

The Indenture of Trust was executed prior to the dissolution of the Redevelopment Agency of the City of Vallejo, and Section 5.05 requires the inclusion of Housing Tax Revenues and all Disbursement of Housing Tax Revenues for the fiscal year. The Successor Agency to the Redevelopment Agency of the City of Vallejo no longer receives Housing Tax Revenues, but the Successor Agency's tax revenues and associated disbursements are included in the City's financial statements.

City's Response to Findings

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated December 12, 2018 which is an integral part of our audits and should be read in conjunction with this report. City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information and use of the City's management and Wells Fargo Bank, National Association, as trustee. However, this report is a matter of public record and its distribution is not limited.

Mane & Associates

Pleasant Hill, California
December 12, 2018

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
COMPLIANCE WITH THE PROPOSITION 111
2018-2019 APPROPRIATIONS LIMIT INCREMENT**

Honorable Mayor and Members of the City Council
City of Vallejo, California

We have performed the procedures below, which were agreed to by the City of Vallejo, on the Appropriations Limit Worksheet (Worksheet) for the year ended June 30, 2019. The City's management is responsible for the Worksheet. These procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

- A. We obtained the Worksheet and determined that the 2018-2019 Appropriations Limit of \$136,925,557 and annual adjustment factors were adopted by Resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
- B. We recomputed the 2018-2019 Appropriations Limit by multiplying the 2017-2018 Prior Year Appropriations Limit by the Total Growth Factor. We recomputed the Total Growth Factor by multiplying the population option by the inflation option.
- C. For the Worksheet, we agreed the Per Capita Income Factor, City Population Factor and County Population Factor to California State Department of Finance Worksheets.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze & Associates

Pleasant Hill, California
December 12, 2018