



CITY OF ATASCADERO CITY COUNCIL

AGENDA

Tuesday, January 22, 2019

**City Hall Council Chambers, 4th floor
6500 Palma Avenue, Atascadero, California
(Entrance on Lewis Ave.)**

City Council Regular Session:

6:00 P.M.

Public Financing Authority:

**Immediately following
conclusion of the City
Council Regular Session**

REGULAR SESSION – CALL TO ORDER: 6:00 P.M.

PLEDGE OF ALLEGIANCE: Council Member Funk

ROLL CALL: Mayor Moreno
Mayor Pro Tem Bourbeau
Council Member Fonzi
Council Member Funk
Council Member Newsom

APPROVAL OF AGENDA: Roll Call

Recommendation: Council:

1. Approve this agenda; and
2. Waive the reading in full of all ordinances appearing on this agenda, and the titles of the ordinances will be read aloud by the City Clerk at the first reading, after the motion and before the City Council votes.

PRESENTATIONS: None

- A. CONSENT CALENDAR:** (All items on the consent calendar are considered to be routine and non-controversial by City staff and will be approved by one motion if no member of the Council or public wishes to comment or ask questions. If comment or discussion is desired by anyone, the item will be removed from the Consent Calendar and will be considered in the listed sequence with an opportunity for any member of the public to address the Council concerning the item before action is taken.)

1. City Council Draft Action Minutes – January 8, 2019

- Recommendation: Council approve the January 8, 2019 Draft City Council Meeting Minutes. [City Clerk]

2. December 2018 Accounts Payable and Payroll

- Fiscal Impact: \$2,741,388.72
- Recommendation: Council approve certified City accounts payable, payroll and payroll vendor checks for December 2018. [Administrative Services]

3. Ordinance to Dissolve the Parks and Recreation Commission

- Fiscal Impact: The dissolution of the Parks and Recreation Commission is expected to save approximately 100-150 hours of staff time annually.
- Recommendation: Council adopt on second reading, by title only, the Draft Ordinance repealing, in its entirety, Title 2, Chapter 13, of the Atascadero Municipal Code regarding the Parks and Recreation Commission. [City Manager]

4. Vacant Land Purchase Agreement, Addendum and Joint Escrow Instructions for Property Located at 9191 San Rafael Court Atascadero, California

- Fiscal Impact: The purchase of the Property will require about \$105,000 (purchase price plus estimated closing costs) of Wastewater Funds.
- Recommendation: Council adopt Draft Resolution approving Vacant Land Purchase Agreement, Addendum and Joint Escrow Instructions for Property located at 9191 San Rafael Court, Atascadero. [Public Works]

UPDATES FROM THE CITY MANAGER: (The City Manager will give an oral report on any current issues of concern to the City Council.)

COMMUNITY FORUM: (This portion of the meeting is reserved for persons wanting to address the Council on any matter not on this agenda and over which the Council has jurisdiction. Speakers are limited to three minutes. Please state your name for the record before making your presentation. Comments made during Community Forum will not be a subject of discussion. A maximum of 30 minutes will be allowed for Community Forum, unless changed by the Council. Any members of the public who have questions or need information may contact the City Clerk's Office, between the hours of 8:30 a.m. and 5:00 p.m. at (805) 470-3400, or cityclerk@atascadero.org.)

- B. PUBLIC HEARINGS: None.**

C. MANAGEMENT REPORTS:

1. Fiscal Year 2018 Annual Road Report

- Fiscal Impact: Distribution of the 2018 Community Road Report is estimated to cost approximately \$3,800 in budgeted General Funds.
- Recommendations: Council:
 1. Approve the Fiscal Year 2018 Annual Road Report.
 2. Approve the 2018 Community Road Report. [Public Works]

2. Fiscal Year 2017-2018 Audit

- Fiscal Impact: None.
- Recommendation: Council review and accept the financial audit for the period ended June 30, 2018. [Administrative Services]

3. Comprehensive Financial Strategy

- Fiscal Impact: The adoption of the Draft Resolution amending the 2018-2019 fiscal year will result in the expenditure of an additional \$377,710 in General Fund reserves, \$27,490 in Building Maintenance and Replacement Fund reserves, \$9,710 in Gas Tax Fund reserves, \$27,270 in Wastewater Fund reserves, and \$16,100 in Technology Fund reserves.
- Recommendations: Council:
 1. Council review and file the Comprehensive Financial Strategy.
 2. Council adopt the Draft Resolution A approving Financial Policies as documented in Section 6 of the Comprehensive Financial Strategy.
 3. Council adopt the Draft Resolution B amending the 2018-2019 fiscal year budget. [Administrative Services]

4. Sunken Gardens Heritage Tree Removal and Replanting Plan

- Fiscal Impact: The cost to remove the Magnolia tree is estimated to be between \$1,500-2,000.
- Recommendations: Council:
 1. Adopt Draft Resolution, approving the removal of a heritage Magnolia tree from the Sunken Gardens Park.
 2. Provide staff direction regarding a reforestation plan for the Sunken Gardens. [Community Development]

COUNCIL ANNOUNCEMENTS AND REPORTS: (On their own initiative, Council Members may make a brief announcement or a brief report on their own activities. Council Members may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda. The Council may take action on items listed on the Agenda.)

D. COMMITTEE REPORTS: (The following represent standing committees. Informative status reports will be given, as felt necessary):

Mayor Moreno

1. City Selection Committee
2. County Mayors Round Table
3. Economic Vitality Corporation, Board of Directors (EVC)
4. SLO Council of Governments (SLOCOG)
5. SLO Regional Transit Authority (RTA)

Mayor Pro Tem Bourbeau

1. City / Schools Committee
2. City of Atascadero Finance Committee
3. Integrated Waste Management Authority (IWMA)
4. SLO County Water Resources Advisory Committee (WRAC)

Council Member Fonzi

1. Air Pollution Control District
2. Atascadero Basin Ground Water Sustainability Agency (GSA)
3. City of Atascadero Design Review Committee
4. SLO Local Agency Formation Commission (LAFCo)

Council Member Funk

1. City of Atascadero Finance Committee
2. Homeless Services Oversight Council
3. League of California Cities – Council Liaison

Council Member Newsom

1. California Joint Powers Insurance Authority (CJPIA) Board
2. City / Schools Committee
3. City of Atascadero Design Review Committee
4. Visit SLO CAL Advisory Committee

E. INDIVIDUAL DETERMINATION AND / OR ACTION:

1. City Council
2. City Clerk
3. City Treasurer
4. City Attorney
5. City Manager

F. ADJOURN TO MEETING OF THE PUBLIC FINANCE AUTHORITY

Please note: Should anyone challenge any proposed development entitlement listed on this Agenda in court, that person may be limited to raising those issues addressed at the public hearing described in this notice, or in written correspondence delivered to the City Council at or prior to this public hearing. Correspondence submitted at this public hearing will be distributed to the Council and available for review in the City Clerk's office.

City of Atascadero

WELCOME TO THE ATASCADERO CITY COUNCIL MEETING

The City Council meets in regular session on the second and fourth Tuesday of each month at 6:00 p.m. Council meetings will be held at the City Hall Council Chambers, 6500 Palma Avenue, Atascadero. Matters are considered by the Council in the order of the printed Agenda. Regular Council meetings are televised live, audio recorded and videotaped for future playback. Charter Communication customers may view the meetings on Charter Cable Channel 20 or via the City's website at www.atascadero.org. Meetings are also broadcast on radio station KPRL AM 1230. Contact the City Clerk for more information at cityclerk@atascadero.org or (805) 470-3400.

Copies of the staff reports or other documentation relating to each item of business referred to on the Agenda are on file in the office of the City Clerk and are available for public inspection during City Hall business hours at the Front Counter of City Hall, 6500 Palma Avenue, Atascadero, and on our website, www.atascadero.org. Contracts, Resolutions and Ordinances will be allocated a number once they are approved by the City Council. The minutes of this meeting will reflect these numbers. All documents submitted by the public during Council meetings that are either read into the record or referred to in their statement will be noted in the minutes and available for review in the City Clerk's office.

In compliance with the Americans with Disabilities Act, **if you need special assistance to participate in a City meeting or other services offered by this City**, please contact the City Manager's Office or the City Clerk's Office, both at (805) 470-3400. Notification at least 48 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

TO SPEAK ON SUBJECTS NOT LISTED ON THE AGENDA

Under Agenda item, "COMMUNITY FORUM", the Mayor will call for anyone from the audience having business with the Council to approach the lectern and be recognized.

1. Give your name for the record (not required)
2. State the nature of your business.
3. All comments are limited to 3 minutes.
4. All comments should be made to the Mayor and Council.
5. No person shall be permitted to make slanderous, profane or negative personal remarks concerning any other individual, absent or present

This is the time items not on the Agenda may be brought to the Council's attention. A maximum of 30 minutes will be allowed for Community Forum (unless changed by the Council). If you wish to use a computer presentation to support your comments, you must notify the City Clerk's office at least 24 hours prior to the meeting. Digital presentations must be brought to the meeting on a USB drive or CD. You are required to submit to the City Clerk a printed copy of your presentation for the record. Please check in with the City Clerk before the meeting begins to announce your presence and turn in the printed copy.

TO SPEAK ON AGENDA ITEMS (from Title 2, Chapter 1 of the Atascadero Municipal Code)

Members of the audience may speak on any item on the agenda. The Mayor will identify the subject, staff will give their report, and the Council will ask questions of staff. The Mayor will announce when the public comment period is open and will request anyone interested to address the Council regarding the matter being considered to step up to the lectern. If you wish to speak for, against or comment in any way:

1. You must approach the lectern and be recognized by the Mayor
2. Give your name (not required)
3. Make your statement
4. All comments should be made to the Mayor and Council
5. No person shall be permitted to make slanderous, profane or negative personal remarks concerning any other individual, absent or present
6. All comments limited to 3 minutes

The Mayor will announce when the public comment period is closed, and thereafter, no further public comments will be heard by the Council.



CITY OF ATASCADERO CITY COUNCIL

DRAFT MINUTES

Tuesday, January 8, 2019

**City Hall Council Chambers, 4th floor
6500 Palma Avenue, Atascadero, California
(Entrance on Lewis Ave.)**

City Council Closed Session:

5:00 P.M.

City Council Regular Session:

6:00 P.M.

**Successor Agency to the Community
Redevelopment Agency of Atascadero:**

**Immediately following
conclusion of the City
Council Regular Session**

CITY COUNCIL CLOSED SESSION:

Mayor Moreno announced at 5:01 p.m. that the Council would be going into Closed Session.

1. CLOSED SESSION -- PUBLIC COMMENT – None

2. COUNCIL LEAVES CHAMBERS TO BEGIN CLOSED SESSION

1. CLOSED SESSION -- CALL TO ORDER

a. Conference with Property Negotiators (Govt. Code Sec. 54956.8)

Real Property: 9191 San Rafael Court, Atascadero, California, 93422
(APN 056383038)

City Negotiators: Rachelle Rickard, City Manager

Negotiating Parties: Bryan Beckham, Pacifica Commercial Realty

Subject of Negotiation: Purchase price and/or terms of payment

2. CLOSED SESSION – ADJOURNMENT

3. COUNCIL RETURNS TO CHAMBERS

4. CLOSED SESSION – REPORT

The City Attorney reported that there was no reportable action.

REGULAR SESSION – CALL TO ORDER: 6:00 P.M.

Mayor Moreno called the meeting to order at 6:02 p.m. and Council Member Newsom led the Pledge of Allegiance.

ROLL CALL:

Present: Council Members Fonzi, Funk, Newsom, Mayor Pro Tem Bourbeau and Mayor Moreno

Absent: None

Staff Present: City Manager Rachelle Rickard, Administrative Services Director Jeri Rangel, Public Works Director Nick DeBar, Police Chief Jerel Haley, Community Development Director Phil Dunsmore, Fire Chief Casey Bryson, City Attorney Brian Pierik and Deputy City Manager/City Clerk Lara Christensen

APPROVAL OF AGENDA:

MOTION: By Mayor Pro Tem Bourbeau and seconded by Council Member Fonzi to:

1. Approve this agenda; and,
2. Waive the reading in full of all ordinances appearing on this agenda, and the titles of the ordinances will be read aloud by the City Clerk at the first reading, after the motion and before the City Council votes.

Motion passed 5:0 by a roll-call vote.

PRESENTATIONS: None.

A. CONSENT CALENDAR:

1. City Council Draft Action Minutes – December 11, 2018

- Recommendation: Council approve the December 11, 2018 Draft City Council Meeting Minutes. [City Clerk]

2. November 2018 Accounts Payable and Payroll

- Fiscal Impact: \$2,522,353.07
- Recommendation: Council approve certified City accounts payable, payroll and payroll vendor checks for November 2018. [Administrative Services]

3. Alcoholic Beverage Control (ABC) License for a Bar at 8451 El Camino Real - Type 42 License (USE 18-0123 / USE 18-0149)

- Fiscal Impact: A slight positive fiscal impact is expected from increased sales tax.
- Recommendation: Council adopt Draft Resolution finding that a public convenience will be served by allowing the issuance of Type 42 ABC, On-Sale Beer and Wine for Public Premises License for “Colony Tavern”, a bar to be located at 8451 El Camino Real. [Community Development]

4. Annexation of the Annex Residential Subdivision into Community Facilities District 2005-1, Annexation No. 18 (1843 & 1827 El Camino Real: Tract 3104)

- Fiscal Impact: None.
Recommendation: Council adopt Draft Resolution, declaring its intention to annex territory into Community Facilities District 2005-1 (Public Services) and to authorize the levy of special taxes therein – City of Atascadero Community Facilities District 2005-1 Annexation No. 18 (1843 & 1827 El Camino Real: Tract 3104). [Community Development]

Deputy City Manager/City Clerk Christensen noted that a revision was made to Exhibit A of Attachment 1 for Consent Calendar Item #A-4. She reported that the Boundary Map labeled Annexation #17 was being deleted and the Boundary Map Detail for Annexation #18 was being added. The revised Exhibit A was provided to Council in hardcopy format at the dais and included in the public review binder.

MOTION: By Mayor Pro Tem Bourbeau and seconded by Council Member Funk to approve the Consent Calendar with Item #A-4 as amended. (#A-3: Resolution No. 2019-001, #A4: Resolution No. 2019-002)
Motion passed 5:0 by a roll-call vote.

UPDATES FROM THE CITY MANAGER:

City Manager Rachelle Rickard gave an update on projects and issues within the City.

COMMUNITY FORUM:

The following citizens spoke during Community Forum: Phil Ketterle, Cinda Kane and Mark Van Kleef

Mayor Moreno closed the COMMUNITY FORUM period.

B. PUBLIC HEARINGS: None.

C. MANAGEMENT REPORTS:

1. Ordinance to Dissolve the Parks and Recreation Commission

- Fiscal Impact: The elimination of the Parks and Recreation Commission is expected to save approximately 100-150 hours of staff time annually.
- Recommendation: Council introduce on first reading, by title only, the Draft Ordinance repealing, in its entirety, Title 2, Chapter 13, of the Atascadero Municipal Code regarding the Parks and Recreation Commission. [City Manager]

Deputy City Manager Christensen gave the staff report and answered questions from the Council.

PUBLIC COMMENT:

The following citizens spoke on this item: None.

Mayor Moreno closed the Public Comment period.

MOTION: By Mayor Pro Tem Bourbeau and seconded by Council Member Newsom to introduce on first reading, by title only, the Draft Ordinance repealing, in its entirety, Title 2, Chapter 13, of the Atascadero Municipal Code regarding the Parks and Recreation Commission.

Deputy City Manager/City Clerk Christensen read the title of the Ordinance:

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY
OF ATASCADERO, CALIFORNIA, REPEALING, IN ITS ENTIRETY,
TITLE 2, CHAPTER 13 OF THE ATASCADERO MUNICIPAL CODE
REGARDING THE PARKS AND RECREATION COMMISSION**

Motion passed 5:0 by a roll-call vote.

COUNCIL ANNOUNCEMENTS AND REPORTS:

Council Member Funk reported that she, Council Member Newsom and Mayor Moreno will be attending the League of California Cities New Mayor and Council Conference in Sacramento January 15-18.

D. COMMITTEE REPORTS:

The following Council Members gave brief update reports on their committees since the last Council meeting:

Mayor Pro Tem Bourbeau

1. Integrated Waste Management Authority (IWMA)

Council Member Funk

1. Homeless Services Oversight Council
2. Homeless Services ad hoc Committee

Council Member Newsom

1. City of Atascadero Design Review Committee

E. INDIVIDUAL DETERMINATION AND / OR ACTION:

City Manager Rickard encouraged anyone interested to submit applications for the Planning Commission and Citizens' Sales Tax Oversight Committee. She noted that applications are due Friday, January 11 by 5:00 p.m. City Manager Rickard also reminded everyone that the Strategic Planning Workshop will be held Friday, January 25 beginning at 6:00 p.m. and continuing through Saturday, January 26.

F. ADJOURN TO MEETING OF THE SUCCESSOR AGENCY

Mayor Moreno adjourned the meeting to a Regular Session of the Successor Agency to the Redevelopment Agency of Atascadero at 6:52 p.m.

MINUTES PREPARED BY:

Lara K. Christensen
Deputy City Manager / City Clerk

The following exhibit is available for review in the City Clerk's office:

- Exhibit A – Updated CFD Annexation #18 – Boundary Map Detail

APPROVED:



Atascadero City Council

Staff Report - Administrative Services Department

December 2018 Accounts Payable and Payroll

RECOMMENDATION:

Council approve certified City accounts payable, payroll and payroll vendor checks for December 2018.

DISCUSSION:

Attached for City Council review and approval are the following:

Payroll

Dated 12/13/18	Checks # 34153 - 34170	\$ 15,975.87
	Direct Deposits	307,695.35
Dated 12/27/18	Checks # 34171- 34192	14,946.51
	Direct Deposits	259,729.49

Accounts Payable

Dated 12/1/18 - 12/31/18	Checks # 158822 - 159105 & EFTs 3161 - 3186	2,143,041.50
TOTAL AMOUNT		\$ 2,741,388.72

FISCAL IMPACT:

Total expenditures for all funds is \$ 2,741,388.72

CERTIFICATION:

The undersigned certifies that the attached demands have been released for payment and that funds are available for these demands.



Jeri Rangel, Director of Administrative Services

ATTACHMENT:

December 2018 Eden Warrant Register in the amount of \$ 2,143,041.50

City of Atascadero
Disbursement Listing

ITEM NUMBER: A-2
DATE: 01/22/19
ATTACHMENT: 1

For the Month of December 2018

Check Number	Check Date	Vendor	Description	Amount
158822	12/03/2018	ANTHEM BLUE CROSS HEALTH	Payroll Vendor Payment	158,499.04
158823	12/03/2018	LINCOLN NATIONAL LIFE INS CO	Payroll Vendor Payment	1,660.62
158824	12/03/2018	MEDICAL EYE SERVICES	Payroll Vendor Payment	1,685.25
158825	12/03/2018	PREFERRED BENEFITS INSURANCE	Payroll Vendor Payment	8,704.60
3161	12/04/2018	RABOBANK, N.A.	Payroll Vendor Payment	57,441.10
3162	12/04/2018	EMPLOYMENT DEV DEPARTMENT	Payroll Vendor Payment	17,472.76
3163	12/04/2018	EMPLOYMENT DEV. DEPARTMENT	Payroll Vendor Payment	2,127.36
158826	12/07/2018	4LEAF, INC.	Accounts Payable Check	973.47
158827	12/07/2018	ALL SIGNS AND GRAPHICS, LLC	Accounts Payable Check	1,057.80
158828	12/07/2018	ALTHOUSE & MEADE, INC.	Accounts Payable Check	160.00
158829	12/07/2018	AMERICAN MARBORG	Accounts Payable Check	115.50
158830	12/07/2018	AMERICAN WEST TIRE & AUTO INC	Accounts Payable Check	357.70
158831	12/07/2018	ANTECH DIAGNOSTICS	Accounts Payable Check	235.33
158832	12/07/2018	ARMET'S LANDSCAPE, INC.	Accounts Payable Check	4,485.11
158833	12/07/2018	AT&T	Accounts Payable Check	348.12
158834	12/07/2018	AT&T	Accounts Payable Check	763.14
158835	12/07/2018	ATASCADERO CHAMBER OF COMMERCE	Accounts Payable Check	1,200.00
158836	12/07/2018	ATASCADERO HAY & FEED	Accounts Payable Check	1,623.73
158838	12/07/2018	ATASCADERO MUTUAL WATER CO.	Accounts Payable Check	16,983.45
158839	12/07/2018	ATASCADERO NEWS	Accounts Payable Check	339.90
158840	12/07/2018	ATASCADERO PICKLEBALL CLUB, INC	Accounts Payable Check	144.00
158841	12/07/2018	TERRIE BANISH	Accounts Payable Check	792.27
158842	12/07/2018	BASSETT'S CRICKET RANCH, INC.	Accounts Payable Check	371.12
158843	12/07/2018	KEITH R. BERGHER	Accounts Payable Check	960.00
158844	12/07/2018	BERRY MAN, INC.	Accounts Payable Check	1,302.40
158845	12/07/2018	CASEY BRYSON	Accounts Payable Check	677.00
158846	12/07/2018	BURKE, WILLIAMS, & SORENSON LLP	Accounts Payable Check	14,110.90
158847	12/07/2018	CA DEPT OF TAX AND FEE ADMIN.	Accounts Payable Check	466.21
158848	12/07/2018	CAL-COAST REFRIGERATION, INC	Accounts Payable Check	1,814.66
158849	12/07/2018	CARQUEST OF ATASCADERO	Accounts Payable Check	66.31
158850	12/07/2018	CCI OFFICE TECHNOLOGIES	Accounts Payable Check	45.43
158851	12/07/2018	CDCE, INC.	Accounts Payable Check	9,801.82
158852	12/07/2018	CENTRAL COAST FIRE PREVENTION	Accounts Payable Check	30.00
158853	12/07/2018	CENTRAL NEBRASKA PACKING, INC.	Accounts Payable Check	10,301.21
158854	12/07/2018	CHARTER COMMUNICATIONS	Accounts Payable Check	5,960.46
158855	12/07/2018	CJN EVENT PLANNING	Accounts Payable Check	580.00
158856	12/07/2018	CO OF SAN LUIS OBISPO SART PRG	Accounts Payable Check	1,781.00
158857	12/07/2018	COASTAL COPY, INC.	Accounts Payable Check	127.01
158858	12/07/2018	MIGUEL A. CORDERO	Accounts Payable Check	75.00

City of Atascadero
Disbursement Listing

ITEM NUMBER: A-2
DATE: 01/22/19
ATTACHMENT: 1

For the Month of December 2018

Check Number	Check Date	Vendor	Description	Amount
158859	12/07/2018	COUNTY OF SAN LUIS OBISPO	Accounts Payable Check	764.00
158860	12/07/2018	CRYSTAL SPRINGS WATER	Accounts Payable Check	79.34
158861	12/07/2018	MATTHEW J. CURRY	Accounts Payable Check	160.00
158862	12/07/2018	DANIEL G. DAL PORTO	Accounts Payable Check	140.17
158863	12/07/2018	SHARON J. DAVIS	Accounts Payable Check	182.00
158864	12/07/2018	NICHOLAS DEBAR	Accounts Payable Check	300.00
158865	12/07/2018	DESTINATION TRAVEL NETWORK	Accounts Payable Check	190.00
158866	12/07/2018	DRIVE CUSTOMS	Accounts Payable Check	5,224.19
158867	12/07/2018	PHILIP DUNSMORE	Accounts Payable Check	300.00
158868	12/07/2018	JENNIFER S. EICKEMEYER	Accounts Payable Check	79.20
158869	12/07/2018	EL CAMINO VETERINARY HOSP	Accounts Payable Check	467.16
158870	12/07/2018	ESCUELA DEL RIO	Accounts Payable Check	714.00
158871	12/07/2018	JENNIFER FANNING	Accounts Payable Check	84.03
158872	12/07/2018	FENCE FACTORY ATASCADERO	Accounts Payable Check	15.12
158873	12/07/2018	FERRAVANTI GRADING & PAVING	Accounts Payable Check	484,499.64
158874	12/07/2018	GARRY BRILL PRODUCTIONS	Accounts Payable Check	150.00
158875	12/07/2018	GAS COMPANY	Accounts Payable Check	886.85
158876	12/07/2018	BRADLEY A. HACKLEMAN	Accounts Payable Check	237.00
158877	12/07/2018	HAMNER, JEWELL & ASSOCIATES	Accounts Payable Check	1,740.41
158878	12/07/2018	HANLEY AND FLEISHMAN, LLP	Accounts Payable Check	3,441.00
158879	12/07/2018	HART IMPRESSIONS PRINTING	Accounts Payable Check	472.88
158880	12/07/2018	HINDERLITER, DE LLAMAS	Accounts Payable Check	57.99
158881	12/07/2018	EVELYN R. INGRAM	Accounts Payable Check	628.96
158882	12/07/2018	JOE A. GONSALVES & SON	Accounts Payable Check	3,000.00
158883	12/07/2018	AMIK B. JONES	Accounts Payable Check	30.00
158884	12/07/2018	KRITZ EXCAVATING & TRUCKNG INC	Accounts Payable Check	230.68
158885	12/07/2018	KW CONSTRUCTION	Accounts Payable Check	1,500.00
158886	12/07/2018	LEE WILSON ELECTRIC CO. INC	Accounts Payable Check	1,588.00
158887	12/07/2018	CRAIG C. LOWRIE	Accounts Payable Check	100.00
158888	12/07/2018	ANDREW LUERA	Accounts Payable Check	204.00
158889	12/07/2018	M & W PUMPS, INC.	Accounts Payable Check	17,800.00
158890	12/07/2018	MADRONE LANDSCAPES, INC.	Accounts Payable Check	380.00
158891	12/07/2018	STEVE MANRIQUEZ	Accounts Payable Check	92.00
158892	12/07/2018	MID-COAST MOWER & SAW, INC.	Accounts Payable Check	36.74
158893	12/07/2018	MID-STATE CONCRETE PRODUCTS	Accounts Payable Check	5,726.91
158894	12/07/2018	MINER'S ACE HARDWARE	Accounts Payable Check	555.43
158895	12/07/2018	MATTHEW J. MIRANDA	Accounts Payable Check	538.80
158896	12/07/2018	MISSION UNIFORM SERVICE	Accounts Payable Check	188.18
158897	12/07/2018	REON C MONSON	Accounts Payable Check	63.00
158898	12/07/2018	MV TRANSPORTATION, INC.	Accounts Payable Check	10,858.28

City of Atascadero
Disbursement Listing

ITEM NUMBER: A-2
DATE: 01/22/19
ATTACHMENT: 1

For the Month of December 2018

Check Number	Check Date	Vendor	Description	Amount
158899	12/07/2018	MWI ANIMAL HEALTH	Accounts Payable Check	282.51
158900	12/07/2018	NCI AFFILIATES, INC	Accounts Payable Check	240.00
158901	12/07/2018	OFFICE DEPOT INC.	Accounts Payable Check	424.54
158902	12/07/2018	O'REILLY AUTOMOTIVE, INC.	Accounts Payable Check	754.54
158903	12/07/2018	TARA ORLICK	Accounts Payable Check	50.14
158906	12/07/2018	PACIFIC GAS AND ELECTRIC	Accounts Payable Check	46,586.11
158907	12/07/2018	CHARLES D PALADIN WAYNE	Accounts Payable Check	301.70
158908	12/07/2018	FLAVIA PAROTTI	Accounts Payable Check	82.90
158909	12/07/2018	PASO ROBLES SAFE & LOCK, INC.	Accounts Payable Check	16.16
158910	12/07/2018	DEAN PERICIC	Accounts Payable Check	296.00
158911	12/07/2018	TOM PETERSON	Accounts Payable Check	408.00
158912	12/07/2018	PLACEWORKS, INC.	Accounts Payable Check	15,797.85
158913	12/07/2018	PROCARE JANITORIAL SUPPLY, INC.	Accounts Payable Check	1,159.51
158914	12/07/2018	SHIRLEY L. RADCLIFF-BRUTON	Accounts Payable Check	431.70
158915	12/07/2018	JERI RANGEL	Accounts Payable Check	300.00
158916	12/07/2018	RACHELLE RICKARD	Accounts Payable Check	500.00
158917	12/07/2018	MICHELLE R. ROGERS	Accounts Payable Check	280.00
158918	12/07/2018	SAFETY DRIVERS ED., LLC.	Accounts Payable Check	27.30
158919	12/07/2018	SCOTT O'BRIEN FIRE & SAFETY CO	Accounts Payable Check	298.96
158920	12/07/2018	SHORE-TEK, INC.	Accounts Payable Check	436.03
158921	12/07/2018	SITEONE LANDSCAPE SUPPLY, LLC	Accounts Payable Check	80.97
158922	12/07/2018	SLO CO AUDITOR CONTROLLER	Accounts Payable Check	9,481.43
158923	12/07/2018	SLO COUNTY SHERIFF'S OFFICE	Accounts Payable Check	1,664.49
158924	12/07/2018	DAVID L. SMAW	Accounts Payable Check	75.00
158925	12/07/2018	SOUTH COAST EMERGENCY VEH SVC	Accounts Payable Check	532.33
158926	12/07/2018	SOUZA CONSTRUCTION, INC.	Accounts Payable Check	496,289.50
158927	12/07/2018	SPEAKWRITE, LLC.	Accounts Payable Check	428.52
158928	12/07/2018	STANLEY CONVERGENT SECURITY	Accounts Payable Check	322.91
158929	12/07/2018	KURT W. STONE	Accounts Payable Check	1,200.00
158930	12/07/2018	SUNLIGHT JANITORIAL, INC.	Accounts Payable Check	2,661.00
158931	12/07/2018	CINDY TAYLOR	Accounts Payable Check	77.00
158932	12/07/2018	STEVE TIROTTA	Accounts Payable Check	161.61
158933	12/07/2018	TRIBUNE	Accounts Payable Check	1,100.00
158934	12/07/2018	TRIMOTION MEDIA	Accounts Payable Check	500.00
158935	12/07/2018	TYLER TECHNOLOGIES, INC.	Accounts Payable Check	18,172.06
158936	12/07/2018	THOMAS F. VELASQUEZ	Accounts Payable Check	75.00
158937	12/07/2018	VERDIN	Accounts Payable Check	13,678.74
158938	12/07/2018	VERIZON WIRELESS	Accounts Payable Check	2,635.05
158939	12/07/2018	VINO VICE, INC.	Accounts Payable Check	570.00
158940	12/07/2018	VISIT SLO CAL	Accounts Payable Check	1,230.00

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For the Month of December 2018

Check Number	Check Date	Vendor	Description	Amount
158941	12/07/2018	WARM FUZZY TOYS	Accounts Payable Check	130.82
158942	12/07/2018	WASHINGTON STATE UNIVERSITY	Accounts Payable Check	17.50
158943	12/07/2018	WCJ PROPERTY SERVICES	Accounts Payable Check	675.00
158944	12/07/2018	MICHELLE WEISHEITINGER	Accounts Payable Check	82.00
158945	12/07/2018	WELL SEEN SIGN CO., LLC	Accounts Payable Check	788.12
158946	12/07/2018	WEX BANK - 76 UNIVERSL	Accounts Payable Check	10,434.14
158947	12/07/2018	WEX BANK - WEX FLEET UNIVERSAL	Accounts Payable Check	6,246.56
158948	12/07/2018	WHIT'S TURN TREE CARE	Accounts Payable Check	5,470.00
158949	12/07/2018	WILKINS ACTION GRAPHICS	Accounts Payable Check	148.94
158950	12/07/2018	KAREN B. WYKE	Accounts Payable Check	827.70
158951	12/07/2018	ZOO MED LABORATORIES, INC.	Accounts Payable Check	822.76
158952	12/07/2018	ZOOM IMAGING SOLUTIONS, INC.	Accounts Payable Check	866.65
158953	12/13/2018	ATASCADERO MID MGRS ORG UNION	Payroll Vendor Payment	80.00
158954	12/13/2018	ATASCADERO POLICE OFFICERS	Payroll Vendor Payment	1,173.00
158955	12/13/2018	ATASCADERO PROF. FIREFIGHTERS	Payroll Vendor Payment	993.60
158956	12/13/2018	MASS MUTUAL WORKPLACE SOLUTION	Payroll Vendor Payment	5,805.50
158957	12/13/2018	NATIONWIDE RETIREMENT SOLUTION	Payroll Vendor Payment	442.49
158958	12/13/2018	NAVIA BENEFIT SOLUTIONS	Payroll Vendor Payment	1,051.27
158959	12/13/2018	SEIU LOCAL 620	Payroll Vendor Payment	866.63
158960	12/13/2018	VANTAGEPOINT TRNSFR AGT 106099	Payroll Vendor Payment	349.12
158961	12/13/2018	VANTAGEPOINT TRNSFR AGT 304633	Payroll Vendor Payment	3,354.80
3164	12/14/2018	STATE DISBURSEMENT UNIT	Payroll Vendor Payment	209.54
3165	12/14/2018	HEALTHEQUITY, INC.	Payroll Vendor Payment	6,071.70
3166	12/14/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	22,753.95
3167	12/14/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	33,537.29
3168	12/14/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	1,459.67
3169	12/14/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	2,147.69
3170	12/14/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	2,651.08
3171	12/14/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	2,889.08
3172	12/14/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	4,416.20
3173	12/14/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	10,225.04
3174	12/18/2018	RABOBANK, N.A.	Payroll Vendor Payment	63,222.54
3175	12/18/2018	EMPLOYMENT DEV DEPARTMENT	Payroll Vendor Payment	19,726.96
3176	12/18/2018	EMPLOYMENT DEV. DEPARTMENT	Payroll Vendor Payment	2,188.12
158962	12/21/2018	29TONIGHT, CO.	Accounts Payable Check	194.73
158963	12/21/2018	AGM CALIFORNIA, INC.	Accounts Payable Check	1,022.00
158964	12/21/2018	AGP VIDEO, INC.	Accounts Payable Check	4,605.00
158965	12/21/2018	ALL SYSTEMS HEATING AND AIR	Accounts Payable Check	84.34

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Check Number	Check Date	Vendor	Description	Amount
158966	12/21/2018	ALLSTAR FIRE EQUIPMENT, INC.	Accounts Payable Check	47,273.16
158967	12/21/2018	AMERICAN WEST TIRE & AUTO INC	Accounts Payable Check	1,107.42
158968	12/21/2018	ASSOCIATED TRAFFIC SAFETY	Accounts Payable Check	35.40
158970	12/21/2018	AT&T	Accounts Payable Check	855.88
158971	12/21/2018	AT&T	Accounts Payable Check	260.47
158972	12/21/2018	ATM ADVANTAGE PLUS	Accounts Payable Check	200.00
158973	12/21/2018	BANK OF NEW YORK MELLON	Accounts Payable Check	2,470.00
158974	12/21/2018	J. BECK	Accounts Payable Check	97.92
158975	12/21/2018	BOUND TREE MEDICAL, LLC	Accounts Payable Check	20.10
158976	12/21/2018	BREZDEN PEST CONTROL, INC.	Accounts Payable Check	99.00
158977	12/21/2018	CASEY BRYSON	Accounts Payable Check	25.00
158978	12/21/2018	C3 CONSTRUCTION & DEVELOPMENT	Accounts Payable Check	7,800.00
158979	12/21/2018	CALLBACK STAFFING SOLUTION,LLC	Accounts Payable Check	189.46
158980	12/21/2018	CARQUEST OF ATASCADERO	Accounts Payable Check	541.54
158981	12/21/2018	CENTRAL CA ASA	Accounts Payable Check	300.00
158982	12/21/2018	CHARTER COMMUNICATIONS	Accounts Payable Check	1,816.19
158983	12/21/2018	CIO SOLUTIONS, LP	Accounts Payable Check	7,800.00
158984	12/21/2018	CITY OF PISMO BEACH	Accounts Payable Check	402.00
158985	12/21/2018	CJN EVENT PLANNING	Accounts Payable Check	100.00
158986	12/21/2018	COAST LINE DISTRIBUTING	Accounts Payable Check	390.01
158987	12/21/2018	COASTAL REPROGRAPHIC SERVICES	Accounts Payable Check	102.36
158988	12/21/2018	COBAN TECHNOLOGIES, INC.	Accounts Payable Check	18,595.96
158989	12/21/2018	MIGUEL A. CORDERO	Accounts Payable Check	75.00
158990	12/21/2018	CRITICAL REACH, INC.	Accounts Payable Check	285.00
158991	12/21/2018	CRYSTAL SPRINGS WATER	Accounts Payable Check	401.76
158992	12/21/2018	CULLIGAN/CENTRAL COAST WTR TRT	Accounts Payable Check	70.00
158993	12/21/2018	DENVER ZOO	Accounts Payable Check	541.87
158994	12/21/2018	DOCUTEAM	Accounts Payable Check	134.47
158995	12/21/2018	DUKE'S ROOT CONTROL, INC.	Accounts Payable Check	3,000.00
158996	12/21/2018	ED'S FLYMEAT LLC	Accounts Payable Check	44.95
158997	12/21/2018	ESCROW CLEANING SERVICE	Accounts Payable Check	312.50
158998	12/21/2018	FARM SUPPLY COMPANY	Accounts Payable Check	734.66
158999	12/21/2018	FENCE FACTORY ATASCADERO	Accounts Payable Check	165.00
159000	12/21/2018	FERRELL'S AUTO REPAIR	Accounts Payable Check	1,136.11
159001	12/21/2018	FGL ENVIRONMENTAL	Accounts Payable Check	437.00
159002	12/21/2018	FIESTA MAHAR MANUFACTURNG CORP	Accounts Payable Check	242.45
159003	12/21/2018	FOOD FOR LESS	Accounts Payable Check	29.38
159004	12/21/2018	FRIENDS OF TRACY AVIARY	Accounts Payable Check	154.06
159005	12/21/2018	GAS COMPANY	Accounts Payable Check	52.18
159006	12/21/2018	GOLDEN STATE COPIER & MAILING	Accounts Payable Check	992.00

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Check Number	Check Date	Vendor	Description	Amount
159007	12/21/2018	KATHLEEN GROGAN	Accounts Payable Check	704.35
159008	12/21/2018	HAINES & COMPANY, INC.	Accounts Payable Check	336.10
159009	12/21/2018	HAMNER, JEWELL & ASSOCIATES	Accounts Payable Check	905.68
159010	12/21/2018	HART IMPRESSIONS PRINTING	Accounts Payable Check	102.36
159011	12/21/2018	HERC RENTALS, INC.	Accounts Payable Check	2,872.63
159013	12/21/2018	HOME DEPOT CREDIT SERVICES	Accounts Payable Check	4,462.90
159014	12/21/2018	RACHEL HUNTER	Accounts Payable Check	171.34
159015	12/21/2018	INTERSTATE BATTERIES OF	Accounts Payable Check	3,059.10
159016	12/21/2018	IRON MOUNTAIN RECORDS MGMNT	Accounts Payable Check	180.11
159017	12/21/2018	J.B. DRAFTING & DESIGN	Accounts Payable Check	6,290.00
159018	12/21/2018	JIFFY LUBE	Accounts Payable Check	201.64
159019	12/21/2018	JK'S UNLIMITED	Accounts Payable Check	9,310.93
159020	12/21/2018	K PENCE CONSULTING	Accounts Payable Check	1,107.00
159021	12/21/2018	GEORGE & KAY KARTSIOUKAS	Accounts Payable Check	1,331.76
159022	12/21/2018	KPRL 1230 AM	Accounts Payable Check	320.00
159023	12/21/2018	KRITZ EXCAVATING & TRUCKNG INC	Accounts Payable Check	285.54
159024	12/21/2018	KSBY COMMUNICATIONS, LLC	Accounts Payable Check	1,420.00
159025	12/21/2018	RICK LADD, TRUSTEE	Accounts Payable Check	242.16
159026	12/21/2018	LEHIGH HANSON	Accounts Payable Check	1,796.25
159027	12/21/2018	LIFE ASSIST, INC.	Accounts Payable Check	1,285.77
159028	12/21/2018	CRAIG C. LOWRIE	Accounts Payable Check	75.00
159029	12/21/2018	MADRONE LANDSCAPES, INC.	Accounts Payable Check	352.00
159030	12/21/2018	MBS LAND SURVEYS	Accounts Payable Check	17,533.55
159031	12/21/2018	SAMUEL HENRY MCMILLAN, JR.	Accounts Payable Check	150.00
159032	12/21/2018	MEDINA LIGHT SHOW DESIGNS	Accounts Payable Check	1,820.00
159033	12/21/2018	MEDPOST URGENT CARE-ATASCADERO	Accounts Payable Check	340.00
159034	12/21/2018	MICHAEL BECK DRYWALL CONST.	Accounts Payable Check	4,022.10
159035	12/21/2018	MID-COAST GEOTECHNICAL, INC.	Accounts Payable Check	4,615.00
159036	12/21/2018	MID-COAST MOWER & SAW, INC.	Accounts Payable Check	23.23
159037	12/21/2018	MILWAUKEE COUNTY ZOO	Accounts Payable Check	154.06
159038	12/21/2018	MINER'S ACE HARDWARE	Accounts Payable Check	476.59
159039	12/21/2018	MISSION UNIFORM SERVICE	Accounts Payable Check	393.20
159040	12/21/2018	BRETT MOBLEY	Accounts Payable Check	30.00
159041	12/21/2018	MTM BACKGROUND & INVEST SVCS	Accounts Payable Check	925.00
159042	12/21/2018	NCI AFFILIATES, INC	Accounts Payable Check	240.00
159043	12/21/2018	SHANNON NEALL	Accounts Payable Check	50.00
159044	12/21/2018	NORTH CO SEPTIC SERVICE, INC.	Accounts Payable Check	2,518.75
159045	12/21/2018	NORTH COAST ENGINEERING INC.	Accounts Payable Check	2,886.24
159046	12/21/2018	OFFICE DEPOT INC.	Accounts Payable Check	1,142.82
159047	12/21/2018	O'REILLY AUTOMOTIVE, INC.	Accounts Payable Check	47.37

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Check Number	Check Date	Vendor	Description	Amount
159048	12/21/2018	TARA ORLICK	Accounts Payable Check	39.24
159049	12/21/2018	PERRY'S PARCEL & GIFT	Accounts Payable Check	202.68
159050	12/21/2018	PRAXAIR DISTRIBUTION, INC.	Accounts Payable Check	165.87
159051	12/21/2018	PROCARE JANITORIAL SUPPLY, INC.	Accounts Payable Check	911.36
159052	12/21/2018	PRP COMPANIES	Accounts Payable Check	1,353.54
159053	12/21/2018	PVP COMMUNICATIONS, INC.	Accounts Payable Check	1,127.62
159054	12/21/2018	QUINCY ENGINEERING, INC.	Accounts Payable Check	14,367.80
159055	12/21/2018	RAINSCAPE, A LANDSCAPE SVC CO.	Accounts Payable Check	15,641.10
159056	12/21/2018	RAVATT, ALBRECHT, & ASSC., INC.	Accounts Payable Check	3,515.00
159057	12/21/2018	RECOGNITION WORKS	Accounts Payable Check	134.80
159058	12/21/2018	RICK ENGINEERING COMPANY	Accounts Payable Check	970.00
159059	12/21/2018	ROLSON MUSIC & SOUND	Accounts Payable Check	1,500.00
159060	12/21/2018	REBECCA ROMERO	Accounts Payable Check	50.00
159061	12/21/2018	S. LOMBARDI & ASSOCIATES	Accounts Payable Check	350.00
159062	12/21/2018	THE SHERWIN-WILLIAMS COMPANY	Accounts Payable Check	113.03
159063	12/21/2018	SMART AND FINAL	Accounts Payable Check	108.96
159064	12/21/2018	DAVID L. SMAW	Accounts Payable Check	75.00
159065	12/21/2018	MARY P. SMITH	Accounts Payable Check	2,478.60
159066	12/21/2018	SPECTRUM REACH	Accounts Payable Check	1,397.00
159067	12/21/2018	STANLEY CONVERGENT SECURITY	Accounts Payable Check	333.84
159068	12/21/2018	STAPLES CREDIT PLAN	Accounts Payable Check	172.40
159069	12/21/2018	STATE WATER RES CONTROL BOARD	Accounts Payable Check	14,230.00
159070	12/21/2018	STEVEN STUCKY	Accounts Payable Check	50.00
159071	12/21/2018	SUPERION, LLC	Accounts Payable Check	45,780.00
159072	12/21/2018	TESCO CONTROLS, INC.	Accounts Payable Check	5,000.00
159073	12/21/2018	TORONTO ZOO	Accounts Payable Check	285.29
159074	12/21/2018	TRIMOTION MEDIA	Accounts Payable Check	275.00
159080	12/21/2018	U.S. BANK	Accounts Payable Check	28,478.03
159081	12/21/2018	ULTREX BUSINESS PRODUCTS	Accounts Payable Check	308.23
159082	12/21/2018	ULTREX LEASING	Accounts Payable Check	260.76
159083	12/21/2018	UNITED STAFFING ASSC., INC.	Accounts Payable Check	3,635.28
159084	12/21/2018	THOMAS F. VELASQUEZ	Accounts Payable Check	100.00
159085	12/21/2018	VERDIN	Accounts Payable Check	14,148.20
159086	12/21/2018	VERIZON WIRELESS	Accounts Payable Check	462.07
159087	12/21/2018	VINCE CARY TRUCKING & WELDING	Accounts Payable Check	1,375.00
159088	12/21/2018	VINO VICE, INC.	Accounts Payable Check	660.00
159089	12/21/2018	DUSTIN VIRGIL	Accounts Payable Check	30.00
159090	12/21/2018	VISITOR TELEVISION LLC	Accounts Payable Check	640.00
159091	12/21/2018	WALLACE GROUP	Accounts Payable Check	437.50
159092	12/21/2018	WEST COAST AUTO & TOWING, INC.	Accounts Payable Check	2,202.75

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Check Number	Check Date	Vendor	Description	Amount
159093	12/21/2018	WESTERN JANITOR SUPPLY	Accounts Payable Check	299.75
159094	12/21/2018	WILKINS ACTION GRAPHICS	Accounts Payable Check	355.25
159095	12/21/2018	ZOOM IMAGING SOLUTIONS, INC.	Accounts Payable Check	295.22
159096	12/27/2018	ATASCADERO MID MGRS ORG UNION	Payroll Vendor Payment	80.00
159097	12/27/2018	ATASCADERO POLICE OFFICERS	Payroll Vendor Payment	1,115.00
159098	12/27/2018	ATASCADERO PROF. FIREFIGHTERS	Payroll Vendor Payment	993.60
159099	12/27/2018	MASS MUTUAL WORKPLACE SOLUTION	Payroll Vendor Payment	5,745.50
159100	12/27/2018	NATIONWIDE RETIREMENT SOLUTION	Payroll Vendor Payment	381.08
159101	12/27/2018	NAVIA BENEFIT SOLUTIONS	Payroll Vendor Payment	1,050.95
159102	12/27/2018	NAVIA BENEFIT SOLUTIONS	Payroll Vendor Payment	60.00
159103	12/27/2018	SEIU LOCAL 620	Payroll Vendor Payment	845.53
159104	12/27/2018	VANTAGEPOINT TRNSFR AGT 106099	Payroll Vendor Payment	349.12
159105	12/27/2018	VANTAGEPOINT TRNSFR AGT 304633	Payroll Vendor Payment	3,200.96
3177	12/28/2018	STATE DISBURSEMENT UNIT	Payroll Vendor Payment	209.54
3178	12/28/2018	HEALTH EQUITY, INC.	Payroll Vendor Payment	5,545.50
3179	12/28/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	21,809.45
3180	12/28/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	33,212.96
3181	12/28/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	1,471.29
3182	12/28/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	1,752.09
3183	12/28/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	2,651.08
3184	12/28/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	3,080.87
3185	12/28/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	4,731.43
3186	12/28/2018	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	9,980.76
				<u><u>\$ 2,143,041.50</u></u>



Atascadero City Council

Staff Report – City Manager’s Office

Ordinance to Dissolve the Parks and Recreation Commission

RECOMMENDATION:

Council adopt on second reading, by title only, the Draft Ordinance repealing, in its entirety, Title 2, Chapter 13, of the Atascadero Municipal Code regarding the Parks and Recreation Commission.

DISCUSSION:

At the January 8, 2019 City Council meeting, the attached Draft Ordinance was introduced, repealing Title 2, Chapter 13 of the Atascadero Municipal Code regarding the Parks and Recreation Commission. This action will result in the dissolution of the Parks and Recreation Commission.

While the dissolution of the Parks and Recreation Commission will save the staff time necessary to maintain the Commission, it is not anticipated that it will significantly impact the opportunities for the public to give input on park and recreation projects. Each large park or recreation project would still go through an extensive public process. Stakeholders and the general public will continue to have many opportunities (typically over a period of multiple years) to comment and give input to both staff and the City Council on any major park project.

FISCAL IMPACT:

The dissolution of the Parks and Recreation Commission is expected to save approximately 100-150 hours of staff time annually.

ATTACHMENT:

Draft Ordinance

DRAFT ORDINANCE

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ATASCADERO, CALIFORNIA, REPEALING, IN ITS ENTIRETY, TITLE 2, CHAPTER 13 OF THE ATASCADERO MUNICIPAL CODE REGARDING THE PARKS AND RECREATION COMMISSION

WHEREAS, the Parks and Recreation Commission was created by Ordinance No. 101 in 1985; and

WHEREAS, the Parks and Recreation Commission, was created to be an advisory body to the City Council, in matters pertaining to parks and public recreation; and

WHEREAS, since its initial establishment, there have been a number of amendments to the make-up of the Commission including changes to the number of Commissioners, terms of service and the duties and responsibilities of the Commission; and

WHEREAS, due to a lack of items to bring to them, the Parks & Recreation Commission meetings were frequently cancelled and the City Council, during their Strategic Planning Workshop in January 2013, suspended the Parks and Recreation Commission meetings until further notice; and

WHEREAS, to better address meetings of the Commission and to prevent frequent cancellations, Ordinance No. 588 was adopted to allow for the scheduling of Commission meetings on an “as needed” basis and to narrow the focus of the Commission to park and facility projects, streamlining the approval process at the City Council level; and

WHEREAS, as a City Council appointed Board, there are various rules and regulations that apply to the noticing and conduct of the meetings as well as various training and filing obligations of the Commissioners and these requirements, coupled with the meetings themselves require City resources and staff time to implement and manage; and

WHEREAS, As part of the 2017 Strategic Planning process, the City Council determined that one of three priorities for the 2017-2019 budget cycle would be Employee Resources, reducing impacts to already strained City resources; and

WHEREAS, at the February 2017 Strategic Planning Workshop, the City Council discussed the dissolution of the Parks and Recreation Commission as a goal to help meet the Employee Resources priority; and

WHEREAS, the City Council directed staff at the February 2018 Strategic Planning Workshop to dissolve the Parks and Recreation Commission following the termination of the current Commission’s terms; and

WHEREAS, projects reviewed by the Parks and Recreation Commission have required review and approval by the City Council; and

WHEREAS, the City Council has determined that the dissolution of the Parks and Recreation Commission will not impact public engagement and input.

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF ATASCADERO
HEREBY ORDAINS AS FOLLOWS:**

SECTION 1. Title 2, Chapter 13 of the Atascadero Municipal Code relating to the Parks and Recreation Commission is repealed in its entirety and is of no further force or effect.

SECTION 2. Title 2, Chapter 13 of the Atascadero Municipal Code is hereby reserved for future use.

SECTION 3. If any provision of this Ordinance or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Ordinance, which can be given effect without the invalid provision or application, and to this end, the provisions of this Ordinance are severable. The City Council of the City of Atascadero hereby declares that it would have adopted this Ordinance irrespective of the invalidity of any particular portion thereof.

SECTION 4. A summary of this Ordinance shall be published twice: at least five days prior to its final passage in the Atascadero News, a newspaper published and circulated in the City of Atascadero, and before the expiration of fifteen (15) days after its final passage, in the Atascadero News, a newspaper published and circulate in the City of Atascadero. A copy of the full text of this Ordinance shall be on file in the City Clerk's Office on and after the date following introduction and passage and shall be available to any interested member of the public.

SECTION 5. This Ordinance shall take effect thirty (30) days after the date of adoption.

INTRODUCED at a regular meeting of the City Council held on _____, and **PASSED, APPROVED** and **ADOPTED** by the City Council of the City of Atascadero, State of California, on _____, by the following roll call vote:

AYES:
NOES:
ABSENT:
ADOPTED:

CITY OF ATASCADERO

Heather Moreno, Mayor

ATTEST:

Lara K. Christensen, City Clerk

APPROVED AS TO FORM:

Brian A. Pierik, City Attorney



Atascadero City Council

Staff Report - City Attorney

Vacant Land Purchase Agreement, Addendum and Joint Escrow Instructions for Property Located at 9191 San Rafael Court Atascadero, California

RECOMMENDATION:

Council adopt Draft Resolution approving Vacant Land Purchase Agreement, Addendum and Joint Escrow Instructions for Property located at 9191 San Rafael Court, Atascadero.

DISCUSSION:

The City needs to reconstruct Sanitary Sewer Lift Station No. 2 ("Station") which is currently located in the El Camino Real right-of-way in front of the Atascadero State Hospital. The City has identified a property directly across El Camino Real for the reconstruction of the Station at 9191 San Rafael Court, Atascadero ("Property"). Attachment 2 is a map showing the location of the Property. Attachment 3 is a proposed Vacant Land Purchase Agreement and Joint Escrow Instructions and Addendum ("Agreement") for the Property. The property is owned by San Carlino, LLC ("Seller") and is currently vacant.

The Property had been offered for sale by the Seller for \$185,000. However, the Seller and City jointly obtained an appraiser who valued the Property at \$75,000. After negotiations with the Seller, the Seller has agreed to sell the Property to the City for \$100,000. The cost to construct the Station at an alternative location in this area would be significantly more than the cost to construct the Station at the Property. Therefore, it is in the best interest of the City and public for the City to acquire the subject Property as the location for the construction of the Station.

If the Council approves the Agreement, then there would be an escrow opened. The City will make a deposit into escrow of \$5,000 within three business days of opening escrow. The Seller has agreed that the City may enter upon the Property to conduct a geotechnical investigation as part of the City's due diligence to make sure the Property is suitable for the construction of the Station. The deadline for the City to complete its site investigation and waive the site contingency is February 13, 2019. Escrow is proposed to be closed on or before February 20, 2019.

The proposed purchase of the Property was reviewed in accordance with the California Environmental Quality Act (CEQA) and the State CEQA guidelines and it was determined that: (1) the activity is not subject to CEQA at this time because it can be seen with certainty that there is no possibility that entering into the Agreement will have a significant effect on the environment; and (2) the proposed purchase of the Property is the type of land acquisition agreement CEQA allows agencies to enter into before complying with CEQA because the Resolution simply approves the purchase of the Property and designates it as the preferred site for CEQA review of potential construction of the Station.

The Station project will be subject to compliance with CEQA following the design of the Station and prior to construction of the Station. Approval of the Resolution is exempt from CEQA under common sense exemption of CEQA Guidelines Section 15061(b)(3) and is not an approval of the construction of the Station on the Property, but rather simply the type of initial land acquisition agreement authorized under CEQA Guidelines Section 15004(b)(2)(A).

FISCAL IMPACT:

The purchase of the Property will require about \$105,000 (purchase price plus estimated closing costs) of Wastewater Funds.

ALTERNATIVES:

1. Not approve the proposed Draft Resolution
2. Other action as directed by the City Council

ATTACHMENTS:

1. Draft Resolution
2. Location Map
3. Vacant Land Purchase Agreement and Joint Escrow Instructions and Addendum

DRAFT RESOLUTION

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ATASCADERO, CALIFORNIA, APPROVING VACANT LAND PURCHASE AGREEMENT, ADDENDUM AND JOINT ESCROW INSTRUCTIONS FOR PROPERTY LOCATED AT 9191 SAN RAFAEL COURT, ATASCADERO

WHEREAS, San Carlino, LLC (“Seller”) owns property located at 9191 San Rafael Court, Atascadero (“Property”); and

WHEREAS, a proposed sewer lift station (“Improvements”) will require the acquisition of property in that area; and

WHEREAS, the Property owned by Seller is in the area needed for the construction of the needed Improvements; and

WHEREAS, the design of the needed Improvements has not been completed and, for that reason, a review of the environmental impacts that may be caused by the Improvements is impractical and infeasible at this time, but will be conducted pursuant to the California Environmental Quality Act (“CEQA”) after the design of the Improvements is completed and before the approval of the construction of the Improvements. The approval of the construction of the improvements will take place at a future unknown date when the City selects a bidder and awards a contract to construct the Improvements; and

WHEREAS, a proposed Vacant Land Purchase Agreement, Addendum and Joint Escrow Instructions has been prepared and reviewed by the City Council at its meeting on January 22, 2019.

NOW, THEREFORE BE IT RESOLVED, by the City Council of the City of Atascadero:

SECTION 1. The foregoing Recitals are true and correct and are hereby incorporated by this reference.

SECTION 2. The City Council hereby approves the Vacant Land Purchase Agreement, Addendum and Joint Escrow Instructions for the Property located at 9191 San Rafael Court, Atascadero.

SECTION 3. The City Council hereby finds that: (1) approval of this Resolution is an action that is not subject to CEQA pursuant to the common sense exemption in CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that entering into the Agreement will have a significant effect on the environment; and (2) that the proposed purchase of the Property is the type of land acquisition agreement CEQA allows agencies to enter into before complying with CEQA pursuant to CEQA Guidelines Section 15004(b)(2)(A) because this Resolution simply approves the acquisition of the Property and designates it as the preferred site for CEQA review of potential future Improvements in the area while conditioning the City’s actual future use of the site for any such Improvement project on prior CEQA compliance and without placing any limits on the future choice of alternatives or mitigation measures that may be considered under CEQA before approval of the actual construction of the Improvements.

SECTION 4. The City Manager is hereby authorized and directed to take all appropriate actions and execute all documents which the City Manager may deem necessary or advisable in order to effectuate the purposes of this Resolution.

PASSED AND ADOPTED at a regular meeting of the City Council held on the 22nd day of January, 2019.

On motion by Council Member _____ and seconded by Council Member _____, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CITY OF ATASCADERO

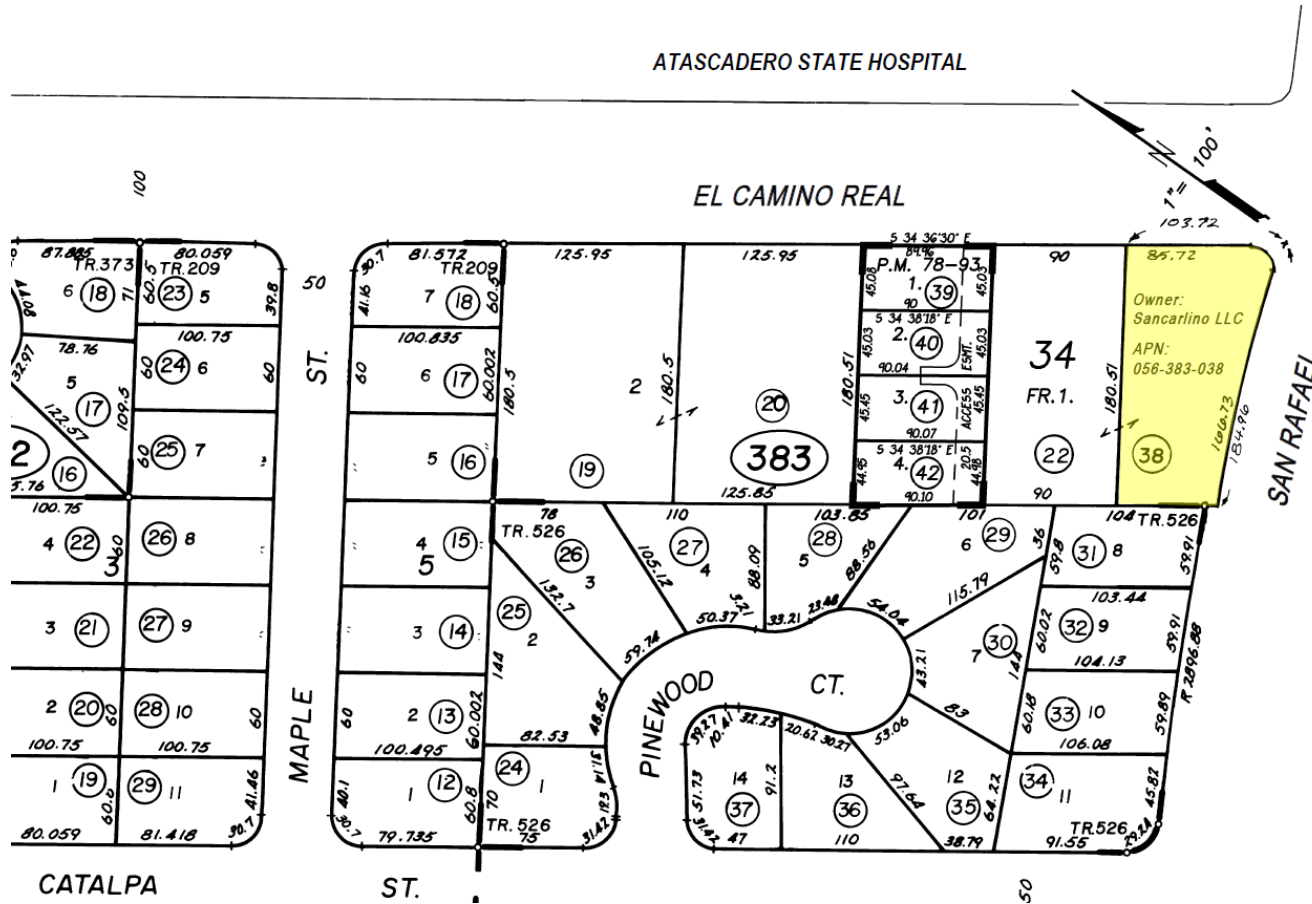
Heather Moreno, Mayor

ATTEST:

Lara Christensen, City Clerk

APPROVED AS TO FORM:

Brian Pierik, City Attorney



**JURISDICTIONAL
WETLANDS**



**RIGHT-OF-WAY
DEDICATION**



CALIFORNIA
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VACANT LAND PURCHASE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

(C.A.R. Form VLPA, Revised 12/18)

ITEM NUMBER: A-4
DATE: 01/22/19
ATTACHMENT: 3

Date Prepared: December 14, 2018

1. OFFER:

- A. THIS IS AN OFFER FROM City of Atascadero ("Buyer"),
B. THE REAL PROPERTY to be acquired is 9191 San Rafael Court, situated in
Atascadero (City), San Luis Obispo (County), California, 93422 (Zip Code), Assessor's Parcel No. 056-383-038 ("Property").
Further Described As +/- 15,000 SF Lot
C. THE PURCHASE PRICE offered is One Hundred Thousand
Dollars \$ 100,000.00
D. CLOSE OF ESCROW shall occur on ☒ or before 2/20/2019 (date) (or ☐ Days After Acceptance).
E. Buyer and Seller are referred to herein as the "Parties." Brokers are not Parties to this Agreement.

2. AGENCY:

- A. DISCLOSURE: The Parties each acknowledge receipt of a ☒ "Disclosure Regarding Real Estate Agency Relationships" (C.A.R. Form AD).
B. CONFIRMATION: The following agency relationships are confirmed for this transaction:
Seller's Brokerage Firm Pacifica Commercial Realty License Number 01382568
Is the broker of (check one): ☒ the seller; or ☐ both the buyer and seller. (dual agent)
Seller's Agent Bryan Beckham License Number 01072713
Is (check one): ☒ the Seller's Agent. (salesperson or broker associate) ☐ both the Buyer's and Seller's Agent. (dual agent)
Buyer's Brokerage Firm _____ License Number _____
Is the broker of (check one): ☐ the buyer; or ☐ both the buyer and seller. (dual agent)
Buyer's Agent _____ License Number _____
Is (check one): ☐ the Buyer's Agent. (salesperson or broker associate) ☐ both the Buyer's and Seller's Agent. (dual agent)

- C. POTENTIALLY COMPETING BUYERS AND SELLERS: The Parties each acknowledge receipt of a ☒ "Possible Representation of More than One Buyer or Seller - Disclosure and Consent" (C.A.R. Form PRBS).

3. FINANCE TERMS: Buyer represents that funds will be good when deposited with Escrow Holder.

- A. INITIAL DEPOSIT: Deposit shall be in the amount of \$ 5,000.00

(1) Buyer Direct Deposit: Buyer shall deliver deposit directly to Escrow Holder by electronic funds transfer, ☐ cashier's check, ☐ personal check, ☐ other _____ within 3 business days after Acceptance (or _____);

OR (2) ☐ Buyer Deposit with Agent: Buyer has given the deposit by personal check (or _____) to the agent submitting the offer (or to _____), made payable to _____ The deposit shall be held uncashed until Acceptance and then deposited with Escrow Holder within 3 business days after Acceptance (or _____). Deposit checks given to agent shall be an original signed check and not a copy.

(Note: Initial and increased deposits checks received by agent shall be recorded in Broker's trust fund log.)

- B. INCREASED DEPOSIT: Buyer shall deposit with Escrow Holder an increased deposit in the amount of \$ _____ within Days After Acceptance (or _____).

If the Parties agree to liquidated damages in this Agreement, they also agree to incorporate the increased deposit into the liquidated damages amount in a separate liquidated damages clause (C.A.R. Form RID) at the time the increased deposit is delivered to Escrow Holder.

- C. ☒ ALL CASH OFFER: No loan is needed to purchase the Property. This offer is NOT contingent on Buyer obtaining a loan. Written verification of sufficient funds to close this transaction IS ATTACHED to this offer or ☒ Buyer shall, within 3 (or _____) Days After Acceptance, Deliver to Seller such verification.

D. LOAN(S):

- (1) FIRST LOAN: in the amount of \$ _____

This loan will be conventional financing OR ☐ FHA, ☐ VA, ☐ Seller financing (C.A.R. Form SFA), ☐ assumed financing (C.A.R. Form AFA), ☐ subject to financing, ☐ Other _____. This loan shall be at a fixed rate not to exceed _____% or, ☐ an adjustable rate loan with initial rate not to exceed _____%. Regardless of the type of loan, Buyer shall pay points not to exceed _____% of the loan amount.

- (2) ☐ SECOND LOAN in the amount of \$ _____

This loan will be conventional financing OR ☐ Seller financing (C.A.R. Form SFA), ☐ assumed financing (C.A.R. Form AFA), ☐ subject to financing, ☐ Other _____. This loan shall be at a fixed rate not to exceed _____% or, ☐ an adjustable rate loan with initial rate not to exceed _____%. Regardless of the type of loan, Buyer shall pay points not to exceed _____% of the loan amount.

- (3) FHA/VA: For any FHA or VA loan specified in 3D(1), Buyer has 17 (or _____) Days After Acceptance to Deliver to Seller written notice (C.A.R. Form FVA) of any lender-required repairs or costs that Buyer requests Seller to pay for or otherwise correct. Seller has no obligation to pay or satisfy lender requirements unless agreed in writing. A FHA/VA amendatory clause (C.A.R. Form FVAC) shall be a part of this transaction.

Buyer's Initials (_____) (_____)

Seller's Initials (_____) (_____)

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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 1 OF 11)

Pacifica Commercial Realty 504 First Street, Ste. A Paso Robles, CA 93446
Newlin Hastings

Phone: 805.237.4040
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Fax: 805.237.4041

Carnazzo to City

WSC

Property Address: **9191 San Rafael Court, Atascadero, CA 93422**

Date: **December 14, 2018**

E. ADDITIONAL FINANCING TERMS:

F. BALANCE OF DOWN PAYMENT OR PURCHASE PRICE in the amount of \$ **95,000.00**
to be deposited with Escrow Holder pursuant to Escrow Holder instructions.

G. PURCHASE PRICE (TOTAL): \$ **100,000.00**

H. VERIFICATION OF DOWN PAYMENT AND CLOSING COSTS: Buyer (or Buyer's lender or loan broker pursuant to paragraph 3J(1)) shall, within 3 (or ____) Days After Acceptance, Deliver to Seller written verification of Buyer's down payment and closing costs. (☐ Verification attached.)

I. APPRAISAL CONTINGENCY AND REMOVAL: This Agreement is (or ☒ is NOT) contingent upon a written appraisal of the Property by a licensed or certified appraiser at no less than the purchase price. Buyer shall, as specified in paragraph 19B(3), in writing, remove the appraisal contingency or cancel this Agreement within 17 (or ____) Days After Acceptance.

J. LOAN TERMS:

(1) **LOAN APPLICATIONS:** Within 3 (or ____) Days After Acceptance, Buyer shall Deliver to Seller a letter from Buyer's lender or loan broker stating that, based on a review of Buyer's written application and credit report, Buyer is prequalified or preapproved for any NEW loan specified in paragraph 3D. If any loan specified in paragraph 3D is an adjustable rate loan, the prequalification or preapproval letter shall be based on the qualifying rate, not the initial loan rate. (☐ Letter attached.)

(2) **LOAN CONTINGENCY:** Buyer shall act diligently and in good faith to obtain the designated loan(s). Buyer's qualification for the loan(s) specified above is a contingency of this Agreement unless otherwise agreed in writing. If there is no appraisal contingency or the appraisal contingency has been waived or removed, then failure of the Property to appraise at the purchase price does not entitle Buyer to exercise the cancellation right pursuant to the loan contingency if Buyer is otherwise qualified for the specified loan. Buyer's contractual obligations regarding deposit, balance of down payment and closing costs are not contingencies of this Agreement.

(3) **LOAN CONTINGENCY REMOVAL:**

Within 21 (or ____) Days After Acceptance, Buyer shall, as specified in paragraph 19, in writing, remove the loan contingency or cancel this Agreement. If there is an appraisal contingency, removal of the loan contingency shall not be deemed removal of the appraisal contingency.

(4) ☐ **NO LOAN CONTINGENCY:** Obtaining any loan specified above is NOT a contingency of this Agreement. If Buyer does not obtain the loan and as a result Buyer does not purchase the Property, Seller may be entitled to Buyer's deposit or other legal remedies.

(5) **LENDER LIMITS ON BUYER CREDITS:** Any credit to Buyer, from any source, for closing or other costs that is agreed to by the Parties ("Contractual Credit") shall be disclosed to Buyer's lender. If the total credit allowed by Buyer's lender ("Lender Allowable Credit") is less than the Contractual Credit, then (i) the Contractual Credit shall be reduced to the Lender Allowable Credit, and (ii) in the absence of a separate written agreement between the Parties, there shall be no automatic adjustment to the purchase price to make up for the difference between the Contractual Credit and the Lender Allowable Credit.

K. BUYER STATED FINANCING: Seller is relying on Buyer's representation of the type of financing specified (including but not limited to, as applicable, all cash, amount of down payment, or contingent or non-contingent loan). Seller has agreed to a specific closing date, purchase price and to sell to Buyer in reliance on Buyer's covenant concerning financing. Buyer shall pursue the financing specified in this Agreement. Seller has no obligation to cooperate with Buyer's efforts to obtain any financing other than that specified in the Agreement and the availability of any such alternate financing does not excuse Buyer from the obligation to purchase the Property and close escrow as specified in this Agreement.

L. SELLER FINANCING: The following terms (or ☐ the terms specified in the attached Seller Financing Addendum) (C.A.R. Form SFA) apply ONLY to financing extended by Seller under this Agreement.

(1) **BUYER'S CREDIT-WORTHINESS:** Buyer authorizes Seller and/or Brokers to obtain, at Buyer's expense, a copy of Buyer's credit report. Within 7 (or ____) Days After Acceptance, Buyer shall provide any supporting documentation reasonably requested by Seller.

(2) **TERMS:** Buyer's promissory note, deed of trust and other documents as appropriate shall incorporate and implement the following additional terms: (i) the maximum interest rate specified in paragraph 3D shall be the actual fixed interest rate for Seller financing; (ii) deed of trust shall contain a REQUEST FOR NOTICE OF DEFAULT on senior loans; (iii) Buyer shall sign and pay for a REQUEST FOR NOTICE OF DELINQUENCY prior to Close Of Escrow and at any future time if requested by Seller; (iv) note and deed of trust shall contain an acceleration clause making the loan due, when permitted by law and at Seller's option, upon the sale or transfer of the Property or any interest in it; (v) note shall contain a late charge of 6% of the installment due (or ____) if the installment is not received within 10 days of the date due; (vi) title insurance coverage in the form of a joint protection policy shall be provided insuring Seller's deed of trust interest in the Property (any increased cost over owner's policy shall be paid by Buyer); and (vii) tax service shall be obtained and paid for by Buyer to notify Seller if property taxes have not been paid.

(3) **ADDED, DELETED OR SUBSTITUTED BUYERS:** The addition, deletion or substitution of any person or entity under this Agreement or to title prior to Close Of Escrow shall require Seller's written consent. Seller may grant or withhold consent in Seller's sole discretion. Any additional or substituted person or entity shall, if requested by Seller, submit to Seller the same documentation as required for the original named Buyer. Seller and/or Brokers may obtain a credit report, at Buyer's expense, on any such person or entity.

M. ASSUMED OR "SUBJECT TO" FINANCING: Seller represents that Seller is not delinquent on any payments due on any loans. Seller shall, within the time specified in paragraph 19, provide Copies of all applicable notes and deeds of trust, loan balances and current interest rates to Buyer. Buyer shall then, as specified in paragraph 19B(3), remove this contingency or

Buyer's Initials (_____) (_____)

Seller's Initials (WBC) (_____)

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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 2 OF 11)

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Property Address: **9191 San Rafael Court, Atascadero, CA 93422**

Date: **December 14, 2018**

cancel this Agreement. Differences between estimated and actual loan balances shall be adjusted at Close Of Escrow by cash down payment. Impound accounts, if any, shall be assigned and charged to Buyer and credited to Seller. Seller is advised that Buyer's assumption of an existing loan may not release Seller from liability on that loan. If this is an assumption of a VA Loan, the sale is contingent upon Seller being provided a release of liability and substitution of eligibility, unless otherwise agreed in writing. If the Property is acquired subject to an existing loan, Buyer and Seller are advised to consult with legal counsel regarding the ability of an existing lender to call the loan due, and the consequences thereof.

4. SALE OF BUYER'S PROPERTY:

A. This Agreement and Buyer's ability to obtain financing are NOT contingent upon the sale of any property owned by Buyer.

OR B. ☐ This Agreement and Buyer's ability to obtain financing are contingent upon the sale of property owned by Buyer as specified in the attached addendum (C.A.R. Form COP).

5. ☐ **MANUFACTURED HOME PURCHASE:** The purchase of the Property is contingent upon Buyer acquiring a personal property manufactured home to be placed on the Property after Close Of Escrow. Buyer ☐ has ☐ has not entered into a contract for the purchase of a personal property manufactured home. Within the time specified in paragraph 19, Buyer shall remove this contingency or cancel this Agreement, (or ☐ this contingency shall remain in effect until the Close Of Escrow of the Property).

6. ☐ **CONSTRUCTION LOAN FINANCING:** The purchase of the Property is contingent upon Buyer obtaining a construction loan. A draw from the construction loan ☐ will ☐ will not be used to finance the Property. Within the time specified in paragraph 19, Buyer shall remove this contingency or cancel this Agreement (or ☐ this contingency shall remain in effect until Close Of Escrow of the Property).

7. ADDENDA AND ADVISORIES:

A. ADDENDA: ☐ Addendum # _____ (C.A.R. Form ADM)
☐ Back Up Offer Addendum (C.A.R. Form BUO) ☐ Court Confirmation Addendum (C.A.R. Form CCA)
☐ Septic, Well and Property Monument Addendum (C.A.R. Form SWPI)
☐ Short Sale Addendum (C.A.R. Form SSA) ☐ Other _____

B. BUYER AND SELLER ADVISORIES: ☒ Buyer's Inspection Advisory (C.A.R. Form BIA)
☐ Probate Advisory (C.A.R. Form PA) ☐ Statewide Buyer and Seller Advisory (C.A.R. Form SBSA)
☐ Trust Advisory (C.A.R. Form TA) ☐ REO Advisory (C.A.R. Form REO)
☐ Short Sale Information and Advisory (C.A.R. Form SSIA) ☐ Other _____

8. OTHER TERMS: _____

9. ALLOCATION OF COSTS

A. **INSPECTIONS, REPORTS AND CERTIFICATES:** Unless otherwise agreed, in writing, this paragraph only determines who is to pay for the inspection, test, certificate or service ("Report") mentioned; it **does not determine who is to pay for any work recommended or identified in the Report.**

(1) ☐ Buyer ☐ Seller shall pay for a natural hazard zone disclosure report, including tax ☐ environmental ☐ Other: _____ prepared by **Click here to select your Service Provider**

(2) ☐ Buyer ☐ Seller shall pay for the following Report _____ prepared by _____

(3) ☐ Buyer ☐ Seller shall pay for the following Report _____ prepared by _____

B. ESCROW AND TITLE:

(1) (a) ☒ Buyer ☒ Seller shall pay escrow fee **split 50/50**

(b) Escrow Holder shall be **First American Title - Paso Robles**

(c) The Parties shall, within **5 (or _____) Days** After receipt, sign and return Escrow Holder's general provisions.

(2) (a) ☐ Buyer ☐ Seller shall pay for **owner's** title insurance policy specified in paragraph 18E _____

(b) Owner's title policy to be issued by _____

(Buyer shall pay for any title insurance policy insuring Buyer's lender, unless otherwise agreed in writing.)

C. OTHER COSTS:

(1) ☒ Buyer ☐ Seller shall pay County transfer tax or fee _____

(2) ☒ Buyer ☐ Seller shall pay City transfer tax or fee _____

(3) ☐ Buyer ☐ Seller shall pay Homeowners' Association ("HOA") transfer fee _____

(4) Seller shall pay HOA fees for preparing all documents required to be delivered by Civil Code §4525.

(5) Buyer to pay for any HOA certification fee.

(6) ☐ Buyer ☐ Seller shall pay HOA fees for preparing all documents other than those required by Civil Code §4525.

(7) ☐ Buyer ☐ Seller shall pay for any private transfer fee _____

(8) ☐ Buyer ☐ Seller shall pay for _____

(9) ☐ Buyer ☐ Seller shall pay for _____

10. CLOSING AND POSSESSION: Possession shall be delivered to Buyer: (i) ☐ at 6 PM or (☐ AM/ ☐ PM) on the date of Close Of Escrow; (ii) ☐ no later than _____ calendar days after Close Of Escrow; or (iii) ☐ at ☐ AM/ ☐ PM on _____.

The Property shall be unoccupied, unless otherwise agreed in writing. Seller shall provide keys and/or means to operate all Property locks. If Property is located in a common interest subdivision, Buyer may be required to pay a deposit to the Homeowners' Association ("HOA") to obtain keys to accessible HOA facilities.

Buyer's Initials (_____) (_____)

Seller's Initials **WSE** (_____) (_____)

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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 3 OF 11)

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WSE

Property Address: **9191 San Rafael Court, Atascadero, CA 93422**

Date: **December 14, 2018**

11. ITEMS INCLUDED IN AND EXCLUDED FROM SALE:

A. NOTE TO BUYER AND SELLER: Items listed as included or excluded in the MLS, flyers or marketing materials are **not** included in the purchase price or excluded from the sale unless specified in 11B or C.

B. ITEMS INCLUDED IN SALE:

- (1) All EXISTING fixtures and fittings that are attached to the Property;
(2) The following items: _____

(3) Seller represents that all items included in the purchase price, unless otherwise specified, are owned by Seller.

(4) All items included shall be transferred free of liens and without Seller warranty.

C. ITEMS EXCLUDED FROM SALE: _____

12. STATUTORY AND OTHER DISCLOSURES AND CANCELLATION RIGHTS:

A. NATURAL AND ENVIRONMENTAL HAZARD DISCLOSURES AND OTHER BOOKLETS: Within the time specified in paragraph 19A, Seller shall, if required by Law: (i) Deliver to Buyer earthquake guide(s) (and questionnaire), environmental hazards booklet; (ii) disclose if the Property is located in a Special Flood Hazard Area; Potential Flooding (Inundation) Area; Very High Fire Hazard Zone; State Fire Responsibility Area; Earthquake Fault Zone; and Seismic Hazard Zone; and (iii) disclose any other zone as required by Law and provide any other information required for those zones.

B. WITHHOLDING TAXES: Within the time specified in paragraph 19A, to avoid required withholding, Seller shall Deliver to Buyer or qualified substitute, an affidavit sufficient to comply with federal (FIRPTA) and California withholding Law (C.A.R. Form AS or QS).

C. MEGAN'S LAW DATABASE DISCLOSURE: Notice: Pursuant to Section 290.46 of the Penal Code, information about specified registered sex offenders is made available to the public via an Internet Web site maintained by the Department of Justice at www.meganslaw.ca.gov. Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community of residence and ZIP Code in which he or she resides. (Neither Seller nor Brokers are required to check this website. If Buyer wants further information, Broker recommends that Buyer obtain information from this website during Buyer's inspection contingency period. Brokers do not have expertise in this area.)

D. NOTICE REGARDING GAS AND HAZARDOUS LIQUID TRANSMISSION PIPELINES: This notice is being provided simply to inform you that information about the general location of gas and hazardous liquid transmission pipelines is available to the public via the National Pipeline Mapping System (NPMS) Internet Web site maintained by the United States Department of Transportation at <http://www.npms.phmsa.dot.gov/>. To seek further information about possible transmission pipelines near the Property, you may contact your local gas utility or other pipeline operators in the area. Contact information for pipeline operators is searchable by ZIP Code and county on the NPMS Internet Web site.

E. CONDOMINIUM/PLANNED DEVELOPMENT DISCLOSURES:

(1) **SELLER HAS:** 7 (or ____) Days After Acceptance to disclose to Buyer whether the Property is a condominium, or is located in a planned development or other common interest subdivision (C.A.R. Form VLQ).

(2) If the Property is a condominium or is located in a planned development or other common interest subdivision, Seller has 3 (or ____) Days After Acceptance to request from the HOA (C.A.R. Form HOA1): (i) Copies of any documents required by Law; (ii) disclosure of any pending or anticipated claim or litigation by or against the HOA; (iii) a statement containing the location and number of designated parking and storage spaces; (iv) Copies of the most recent 12 months of HOA minutes for regular and special meetings; and (v) the names and contact information of all HOAs governing the Property (collectively, "CI Disclosures"). Seller shall itemize and Deliver to Buyer all CI Disclosures received from the HOA and any CI Disclosures in Seller's possession. Buyer's approval of CI Disclosures is a contingency of this Agreement as specified in paragraph 19B(3). The Party specified in paragraph 9, as directed by escrow, shall deposit funds into escrow or direct to HOA or management company to pay for any of the above.

13. SELLER DOCUMENTATION AND ADDITIONAL DISCLOSURE:

A. Within the time specified in paragraph 19, if Seller has actual knowledge, Seller shall provide to Buyer, in writing, the following information:

- (1) **LEGAL PROCEEDINGS:** Any lawsuits by or against Seller, threatening or affecting the Property, including any lawsuits alleging a defect or deficiency in the Property or common areas, or any known notices of abatement or citations filed or issued against the Property.
(2) **AGRICULTURAL USE:** Whether the Property is subject to restrictions for agricultural use pursuant to the Williamson Act (Government Code §§51200-51295).
(3) **DEED RESTRICTIONS:** Any deed restrictions or obligations.
(4) **FARM USE:** Whether the Property is in, or adjacent to, an area with Right to Farm rights (Civil Code §3482.5 and §3482.6).
(5) **ENDANGERED SPECIES:** Presence of endangered, threatened, 'candidate' species, or wetlands on the Property.
(6) **ENVIRONMENTAL HAZARDS:** Any substances, materials, or products that may be an environmental hazard including, but not limited to, asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, and contaminated soil or water on the Property.
(7) **COMMON WALLS:** Any features of the Property shared in common with adjoining landowners, such as walls, fences, roads, and driveways, and agriculture and domestic wells whose use or responsibility for maintenance may have an effect on the Property.
(8) **LANDLOCKED:** The absence of legal or physical access to the Property.
(9) **EASEMENTS/ENCROACHMENTS:** Any encroachments, easements or similar matters that may affect the Property.
(10) **SOIL FILL:** Any fill (compacted or otherwise), or abandoned mining operations on the Property.
(11) **SOIL PROBLEMS:** Any slippage, sliding, flooding, drainage, grading, or other soil problems.
(12) **EARTHQUAKE DAMAGE:** Major damage to the Property or any of the structures from fire, earthquake, floods, or landslides.
(13) **ZONING ISSUES:** Any zoning violations, non-conforming uses, or violations of "setback" requirements.
(14) **NEIGHBORHOOD PROBLEMS:** Any neighborhood noise problems, or other nuisances.

B. RENTAL AND SERVICE AGREEMENTS: Within the time specified in paragraph 19, Seller shall make available to Buyer for inspection and review, all current leases, rental agreements, service contracts and other related agreements, licenses, and permits pertaining to the operation or use of the Property.

C. ☐ **TENANT ESTOPPEL CERTIFICATES:** Within the time specified in paragraph 19, Seller shall deliver to Buyer tenant estoppel certificates (C.A.R. Form TEC) completed by Seller or Seller's agent, and signed by tenants, acknowledging: (i) that tenants' rental or lease agreements are unmodified and in full force and effect (or if modified, stating all such modifications); (ii) that no lessor defaults exist; and (iii) stating the amount of any prepaid rent or security deposit.

Buyer's Initials (_____) (_____)

Seller's Initials (hsc) (_____)

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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 4 OF 11)

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hsc

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Date: **December 14, 2018**

- D. MELLO-ROOSTAX; 1915 BOND ACT:** Within the time specified in paragraph 19, Seller shall: (i) make a good faith effort to obtain a notice from any local agencies that levy a special tax or assessment on the Property (or, if allowed, substantially equivalent notice), pursuant to the Mello-Roos Community Facilities Act, and Improvement Bond Act of 1915, and (ii) promptly deliver to Buyer any such notice obtained.
- E. SELLER VACANT LAND QUESTIONNAIRE:** Seller shall, within the time specified in paragraph 19, complete and provide Buyer with a Seller Vacant Land Questionnaire (C.A.R. Form VLQ).
- 14. SUBSEQUENT DISCLOSURES:** In the event Seller, prior to Close Of Escrow, becomes aware of adverse conditions materially affecting the Property, or any material inaccuracy in disclosures, information or representations previously provided to Buyer of which Buyer is otherwise unaware, Seller shall promptly provide a subsequent or amended disclosure or notice, in writing, covering those items. **However, a subsequent or amended disclosure shall not be required for conditions and material inaccuracies disclosed in reports ordered and paid for by Buyer.**
- 15. CHANGES DURING ESCROW:**
- A.** Prior to Close Of Escrow, Seller may engage in the following acts, ("Proposed Changes"), subject to Buyer's rights in paragraph 15B: (i) rent or lease any part of the premises; (ii) alter, modify or extend any existing rental or lease agreement; (iii) enter into, alter, modify or extend any service contract(s); or (iv) change the status of the condition of the Property.
 - B.** At least 7 (or ____) Days prior to any Proposed Changes, Seller shall give written notice to Buyer of such Proposed Changes. Within 5 (or ____) Days After receipt of such notice, Buyer, in writing, may give Seller notice of Buyer's objection to the Proposed Changes, in which case Seller shall not make the Proposed Changes.
- 16. CONDITION OF PROPERTY:** Unless otherwise agreed in writing: (i) the Property is sold (a) "AS-IS" in its PRESENT physical condition as of the date of Acceptance and (b) subject to Buyer's Investigation rights; (ii) the Property, including pool, spa, landscaping and grounds, is to be maintained in substantially the same condition as on the date of Acceptance; and (iii) all debris and personal property not included in the sale shall be removed by Close Of Escrow.
- A.** Seller shall, within the time specified in paragraph 19A, DISCLOSE KNOWN MATERIAL FACTS AND DEFECTS affecting the Property, including known insurance claims within the past five years, and make any and all other disclosures required by law.
 - B.** Buyer has the right to conduct Buyer Investigations of the property and, as specified in paragraph 19B, based upon information discovered in those investigations: (i) cancel this Agreement; or (ii) request that Seller make Repairs or take other action.
 - C.** **Buyer is strongly advised to conduct investigations of the entire Property in order to determine its present condition. Seller may not be aware of all defects affecting the Property or other factors that Buyer considers important. Property improvements may not be built according to code, in compliance with current Law, or have had permits issued.**
- 17. BUYER'S INVESTIGATION OF PROPERTY AND MATTERS AFFECTING PROPERTY:**
- A.** Buyer's acceptance of the condition of, and any other matter affecting the Property, is a contingency of this Agreement as specified in this paragraph and paragraph 19B. Within the time specified in paragraph 19B(1), Buyer shall have the right, at Buyer's expense unless otherwise agreed, to conduct inspections, investigations, tests, surveys and other studies ("Buyer Investigations"), including, but not limited to, the right to: (i) inspect for lead-based paint and other lead-based paint hazards; (ii) inspect for wood destroying pests and organisms; (iii) review the registered sex offender database; (iv) confirm the insurability of Buyer and the Property; and (v) satisfy Buyer as to any matter specified in the attached Buyer's Inspection Advisory (C.A.R. Form BIA). Without Seller's prior written consent, Buyer shall neither make nor cause to be made: (i) invasive or destructive Buyer Investigations except for minimally invasive testing; or (ii) inspections by any governmental building or zoning inspector or government employee, unless required by Law.
 - B.** Seller shall make the Property available for all Buyer Investigations. Buyer shall (i) as specified in paragraph 19B, complete Buyer Investigations and, either remove the contingency or cancel this Agreement, and (ii) give Seller, at no cost, complete Copies of all Investigation reports obtained by Buyer, which obligation shall survive the termination of this Agreement.
 - C.** **Buyer indemnity and Seller protection for entry upon property:** Buyer shall: (i) keep the Property free and clear of liens; (ii) repair all damage arising from Buyer Investigations; and (iii) indemnify and hold Seller harmless from all resulting liability, claims, demands, damages and costs of Buyer's Investigations. Buyer shall carry, or Buyer shall require anyone acting on Buyer's behalf to carry, policies of liability, workers' compensation and other applicable insurance, defending and protecting Seller from liability for any injuries to persons or property occurring during any Buyer Investigations or work done on the Property at Buyer's direction prior to Close Of Escrow. Seller is advised that certain protections may be afforded Seller by recording a "Notice of Non-responsibility" (C.A.R. Form NNR) for Buyer Investigations and work done on the Property at Buyer's direction. Buyer's obligations under this paragraph shall survive the termination or cancellation of this Agreement and Close Of Escrow.
 - D.** **BUYER IS STRONGLY ADVISED TO INVESTIGATE THE CONDITION AND SUITABILITY OF ALL ASPECTS OF THE PROPERTY AND ALL MATTERS AFFECTING THE VALUE OR DESIRABILITY OF THE PROPERTY, INCLUDING BUT NOT LIMITED TO, THE ITEMS SPECIFIED BELOW. IF BUYER DOES NOT EXERCISE THESE RIGHTS, BUYER IS ACTING AGAINST THE ADVICE OF BROKERS. BUYER UNDERSTANDS THAT ALTHOUGH CONDITIONS ARE OFTEN DIFFICULT TO LOCATE AND DISCOVER, ALL REAL PROPERTY CONTAINS CONDITIONS THAT ARE NOT READILY APPARENT AND THAT MAY AFFECT THE VALUE OR DESIRABILITY OF THE PROPERTY. BUYER AND SELLER ARE AWARE THAT BROKERS DO NOT GUARANTEE, AND IN NO WAY ASSUME RESPONSIBILITY FOR, THE CONDITION OF THE PROPERTY. BROKERS HAVE NOT AND WILL NOT VERIFY ANY OF THE ITEMS IN THIS PARAGRAPH 17, UNLESS OTHERWISE AGREED IN WRITING.**
 - E. SIZE, LINES, ACCESS AND BOUNDARIES:** Lot size, property lines, legal or physical access and boundaries including features of the Property shared in common with adjoining landowners, such as walls, fences, roads and driveways, whose use or responsibility for maintenance may have an effect on the Property and any encroachments, easements or similar matters that may affect the Property. (Fences, hedges, walls and other natural or constructed barriers or markers do not necessarily identify true Property boundaries. Property lines may be verified by survey.) (Unless otherwise specified in writing, any numerical statements by Brokers regarding lot size are APPROXIMATIONS ONLY, which have not been and will not be verified, and should not be relied upon by Buyer.)
 - F. ZONING AND LAND USE:** Past, present, or proposed laws, ordinances, referendums, initiatives, votes, applications and permits affecting the current use of the Property, future development, zoning, building, size, governmental permits and inspections. Any zoning violations, non-conforming uses, or violations of "setback" requirements. (Buyer should also investigate whether these matters affect Buyer's intended use of the Property.)
 - G. UTILITIES AND SERVICES:** Availability, costs, restrictions and location of utilities and services, including but not limited to, sewerage, sanitation, septic and leach lines, water, electricity, gas, telephone, cable TV and drainage.

Buyer's Initials (_____) (_____)

Seller's Initials (_____) (*WRL*)

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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 5 OF 11)

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Date: **December 14, 2018**

- H. ENVIRONMENTAL HAZARDS:** Potential environmental hazards, including, but not limited to, asbestos, lead-based paint and other lead contamination, radon, methane, other gases, fuel, oil or chemical storage tanks, contaminated soil or water, hazardous waste, waste disposal sites, electromagnetic fields, nuclear sources, and other substances, including mold (airborne, toxic or otherwise), fungus or similar contaminant, materials, products or conditions.
- I. GEOLOGIC CONDITIONS:** Geologic/seismic conditions, soil and terrain stability, suitability and drainage including any slippage, sliding, flooding, drainage, grading, fill (compacted or otherwise), or other soil problems.
- J. NATURAL HAZARD ZONE:** Special Flood Hazard Areas, Potential Flooding (Inundation) Areas, Very High Fire Hazard Zones, State Fire Responsibility Areas, Earthquake Fault Zones, Seismic Hazard Zones, or any other zone for which disclosure is required by Law.
- K. PROPERTY DAMAGE:** Major damage to the Property or any of the structures or non-structural systems and components and any personal property included in the sale from fire, earthquake, floods, landslides or other causes.
- L. NEIGHBORHOOD, AREA AND PROPERTY CONDITIONS:** Neighborhood or area conditions, including Agricultural Use Restrictions pursuant to the Williamson Act (Government Code §§51200-51295), Right To Farm Laws (Civil Code §3482.5 and §3482.6), schools, proximity and adequacy of law enforcement, crime statistics, the proximity of registered felons or offenders, fire protection, other government services, availability, adequacy and cost of any speed-wired, wireless internet connections or other telecommunications or other technology services and installations, proximity to commercial, industrial or agricultural activities, existing and proposed transportation, construction and development that may affect noise, view, or traffic, airport noise, noise or odor from any source, abandoned mining operations on the Property, wild and domestic animals, other nuisances, hazards, or circumstances, protected species, wetland properties, botanical diseases, historic or other governmentally protected sites or improvements, cemeteries, facilities and condition of common areas of common interest subdivisions, and possible lack of compliance with any governing documents or Homeowners' Association requirements, conditions and influences of significance to certain cultures and/or religions, and personal needs, requirements and preferences of Buyer.
- M. COMMON INTEREST SUBDIVISIONS: OWNER ASSOCIATIONS:** Facilities and condition of common areas (facilities such as pools, tennis courts, walkways, or other areas co-owned in undivided interest with others), Owners' Association that has any authority over the subject property, CC&Rs, or other deed restrictions or obligations, and possible lack of compliance with any Owners' Association requirements.
- N. SPECIAL TAX:** Any local agencies that levy a special tax on the Property pursuant to the Mello-Roos Community Facilities Act or Improvement Bond Act of 1915.
- O. RENTAL PROPERTY RESTRICTIONS:** Some cities and counties impose restrictions that limit the amount of rent that can be charged, the maximum number of occupants and the right of a landlord to terminate a tenancy.
- P. MANUFACTURED HOME PLACEMENT:** Conditions that may affect the ability to place and use a manufactured home on the Property.
- 18. TITLE AND VESTING:**
- A.** Within the time specified in paragraph 19, Buyer shall be provided a current preliminary title report ("Preliminary Report"). The Preliminary Report is only an offer by the title insurer to issue a policy of title insurance and may not contain every item affecting title. Buyer's review of the Preliminary Report and any other matters which may affect title are a contingency of this Agreement as specified in paragraph 19B. The company providing the Preliminary Report shall, prior to issuing a Preliminary Report, conduct a search of the General Index for all Sellers except banks or other institutional lenders selling properties they acquired through foreclosure (REOs), corporations, and government entities. Seller shall within 7 Days After Acceptance, give Escrow Holder a completed Statement of Information.
- B.** Title is taken in its present condition subject to all encumbrances, easements, covenants, conditions, restrictions, rights and other matters, whether of record or not, as of the date of Acceptance except for: (i) monetary liens of record (which Seller is obligated to pay off) unless Buyer is assuming those obligations or taking the Property subject to those obligations; and (ii) those matters which Seller has agreed to remove in writing.
- C.** Within the time specified in paragraph 19A, Seller has a duty to disclose to Buyer all matters known to Seller affecting title, whether of record or not.
- D.** At Close Of Escrow, Buyer shall receive a grant deed conveying title (or, for stock cooperative or long-term lease, an assignment of stock certificate or of Seller's leasehold interest), including oil, mineral and water rights if currently owned by Seller. Title shall vest as designated in Buyer's supplemental escrow instructions. **THE MANNER OF TAKING TITLE MAY HAVE SIGNIFICANT LEGAL AND TAX CONSEQUENCES. CONSULT AN APPROPRIATE PROFESSIONAL.**
- E.** Buyer shall receive a "CLTA/ALTA Homeowner's Policy of Title Insurance", if applicable to the type of property and buyer. A title company, at Buyer's request, can provide information about the availability, desirability, coverage, and cost of various title insurance coverages and endorsements. If Buyer desires title coverage other than that required by this paragraph, Buyer shall instruct Escrow Holder in writing and shall pay any increase in cost.
- 19. TIME PERIODS; REMOVAL OF CONTINGENCIES; CANCELLATION RIGHTS:** The following time periods may only be extended, altered, modified or changed by mutual written agreement. Any removal of contingencies or cancellation under this paragraph by either Buyer or Seller must be exercised in good faith and in writing (C.A.R. Form CR or CC).
- A. SELLER HAS: 7 (or ____) Days After Acceptance** to Deliver to Buyer all Reports, disclosures and information for which Seller is responsible under paragraphs 3M, 7A, 8, 9, 12A, B, and E, 13, 16A and 18A. Buyer after first Delivering to Seller a Notice to Seller to Perform (C.A.R. Form NSP) may cancel this Agreement if Seller has not Delivered the items within the time specified.
- B. (1) BUYER HAS: 17 (or ____) Days After Acceptance**, unless otherwise agreed in writing, to:
- (i) complete all Buyer Investigations; review all disclosures, reports, and other applicable information, which Buyer receives from Seller; and approve all matters affecting the Property; and (ii) Deliver to Seller Signed Copies of Statutory Disclosures and other disclosures Delivered by Seller in accordance with paragraph 12A.
- (2) Within the time specified in paragraph 19B(1), Buyer may request that Seller make repairs or take any other action regarding the Property (C.A.R. Form RR). Seller has no obligation to agree to or respond to (C.A.R. Form RRRR) Buyer's requests.
- (3) By the end of the time specified in paragraph 19B(1) (or as otherwise specified in this Agreement), Buyer shall Deliver to Seller a removal of the applicable contingency or cancellation (C.A.R. Form CR or CC) of this Agreement. However, if any report, disclosure or information for which Seller is responsible is not Delivered within the time specified in paragraph 19A, then Buyer has 5 (or ____) Days After Delivery of any such items, or the time specified in paragraph 19B(1), whichever is later, to Deliver to Seller a removal of the applicable contingency or cancellation of this Agreement.

Buyer's Initials (_____) (_____)

Seller's Initials (_____) (*KSL*)



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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 6 OF 11)

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(4) **Continuation of Contingency:** Even after the end of the time specified in paragraph 19B(1) and before Seller cancels, if at all, pursuant to paragraph 19C, Buyer retains the right, in writing, to either (i) remove remaining contingencies, or (ii) cancel this Agreement based on a remaining contingency. Once Buyer's written removal of all contingencies is Delivered to Seller, Seller may not cancel this Agreement pursuant to paragraph 19C(1).

C. SELLER RIGHT TO CANCEL:

(1) **Seller right to Cancel; Buyer Contingencies:** If, by the time specified in this Agreement, Buyer does not Deliver to Seller a removal of the applicable contingency or cancellation of this Agreement, then Seller, after first Delivering to Buyer a Notice to Buyer to Perform (C.A.R. Form NBP), may cancel this Agreement. In such event, Seller shall authorize the return of Buyer's deposit, except for fees incurred by Buyer.

(2) **Seller right to Cancel; Buyer Contract Obligations:** Seller, after first delivering to Buyer a NBP, may cancel this Agreement if, by the time specified in this Agreement, Buyer does not take the following action(s): (i) Deposit funds as required by paragraph 3A or 3B or if the funds deposited pursuant to paragraph 3A or 3B are not good when deposited; (ii) Deliver a notice of FHA or VA costs or terms as required by paragraph 3D(3) (C.A.R. Form FVA); (iii) Deliver a letter as required by paragraph 3J(1); (iv) Deliver verification as required by paragraph 3C or 3H or if Seller reasonably disapproves of the verification provided by paragraph 3C or 3H; (v) Return Statutory Disclosures as required by paragraph 12A; or (vi) Sign or initial a separate liquidated damages form for an increased deposit as required by paragraphs 3B and 27B; or (vii) Provide evidence of authority to sign in a representative capacity as specified in paragraph 19. In such event, Seller shall authorize the return of Buyer's deposit, except for fees incurred by Buyer.

D. NOTICE TO BUYER OR SELLER TO PERFORM: The NBP or NSP shall: (i) be in writing; (ii) be signed by the applicable Buyer or Seller; and (iii) give the other Party at least 2 (or ____) Days After Delivery (or until the time specified in the applicable paragraph, whichever occurs last) to take the applicable action. A NBP or NSP may not be Delivered any earlier than 2 Days Prior to the expiration of the applicable time for the other Party to remove a contingency or cancel this Agreement or meet an obligation specified in paragraph 19.

E. EFFECT OF BUYER'S REMOVAL OF CONTINGENCIES: If Buyer removes, in writing, any contingency or cancellation rights, unless otherwise specified in writing, Buyer shall conclusively be deemed to have: (i) completed all Buyer Investigations, and review of reports and other applicable information and disclosures pertaining to that contingency or cancellation right; (ii) elected to proceed with the transaction; and (iii) assumed all liability, responsibility and expense for Repairs or corrections pertaining to that contingency or cancellation right, or for the inability to obtain financing.

F. CLOSE OF ESCROW: Before Buyer or Seller may cancel this Agreement for failure of the other Party to close escrow pursuant to this Agreement, Buyer or Seller must first Deliver to the other Party a demand to close escrow (C.A.R. Form DCE). The DCE shall: (i) be signed by the applicable Buyer or Seller; and (ii) give the other Party at least 3 (or ____) Days After Delivery to close escrow. A DCE may not be Delivered any earlier than 3 Days Prior to the scheduled close of escrow.

G. EFFECT OF CANCELLATION ON DEPOSITS: If Buyer or Seller gives written notice of cancellation pursuant to rights duly exercised under the terms of this Agreement, the Parties agree to Sign mutual instructions to cancel the sale and escrow and release deposits, if any, to the party entitled to the funds, less fees and costs incurred by that party. Fees and costs may be payable to service providers and vendors for services and products provided during escrow. Except as specified below, **release of funds will require mutual Signed release instructions from the Parties, judicial decision or arbitration award.** If either Party fails to execute mutual instructions to cancel escrow, one Party may make a written demand to Escrow Holder for the deposit (C.A.R. Form BDRD or SDRD). Escrow Holder, upon receipt, shall promptly deliver notice of the demand to the other Party. If, within 10 Days After Escrow Holder's notice, the other Party does not object to the demand, Escrow Holder shall disburse the deposit to the Party making the demand. If Escrow Holder complies with the preceding process, each Party shall be deemed to have released Escrow Holder from any and all claims or liability related to the disbursement of the deposit. Escrow Holder, at its discretion, may nonetheless require mutual cancellation instructions. **A Party may be subject to a civil penalty of up to \$1,000 for refusal to sign cancellation instructions if no good faith dispute exists as to who is entitled to the deposited funds (Civil Code §1057.3).**

20. REPAIRS: Repairs shall be completed prior to final verification of condition unless otherwise agreed in writing. Repairs to be performed at Seller's expense may be performed by Seller or through others, provided that the work complies with applicable Law, including governmental permit, inspection and approval requirements. Repairs shall be performed in a good, skillful manner with materials of quality and appearance comparable to existing materials. It is understood that exact restoration of appearance or cosmetic items following all Repairs may not be possible. Seller shall: (i) obtain invoices and paid receipts for Repairs performed by others; (ii) prepare a written statement indicating the Repairs performed by Seller and the date of such Repairs; and (iii) provide Copies of invoices and paid receipts and statements to Buyer prior to final verification of condition.

21. FINAL VERIFICATION OF CONDITION: Buyer shall have the right to make a final verification of the Property within 5 (or ____) Days Prior to Close of Escrow, NOT AS A CONTINGENCY OF THE SALE, but solely to confirm: (i) the Property is maintained pursuant to paragraph 16; (ii) Repairs have been completed as agreed; and (iii) Seller has complied with Seller's other obligations under this Agreement (C.A.R. Form VP).

22. ENVIRONMENTAL HAZARD CONSULTATION: Buyer and Seller acknowledge: (i) Federal, state, and local legislation impose liability upon existing and former owners and users of real property, in applicable situations, for certain legislatively defined, environmentally hazardous substances; (ii) Broker(s) has/have made no representation concerning the applicability of any such Law to this transaction or to Buyer or to Seller, except as otherwise indicated in this Agreement; (iii) Broker(s) has/have made no representation concerning the existence, testing, discovery, location and evaluation of/for, and risks posed by, environmentally hazardous substances, if any, located on or potentially affecting the Property; and (iv) Buyer and Seller are each advised to consult with technical and legal experts concerning the existence, testing, discovery, location and evaluation of/for, and risks posed by, environmentally hazardous substances, if any, located on or potentially affecting the Property.

Buyer's Initials (_____) (_____)

Seller's Initials (_____) (NSC)



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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 7 OF 11)

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Date: **December 14, 2018**

- 23. PRORATIONS OF PROPERTY TAXES AND OTHER ITEMS:** Unless otherwise agreed in writing, the following items shall be PAID CURRENT and prorated between Buyer and Seller as of Close Of Escrow: real property taxes and assessments, interest, rents, HOA regular, special, and emergency dues and assessments imposed prior to Close Of Escrow, premiums on insurance assumed by Buyer, payments on bonds and assessments assumed by Buyer, and payments on Mello-Roos and other Special Assessment District bonds and assessments that are now a lien. The following items shall be assumed by Buyer WITHOUT CREDIT toward the purchase price: prorated payments on Mello-Roos and other Special Assessment District bonds and assessments and HOA special assessments that are now a lien but not yet due. Property will be reassessed upon change of ownership. Any supplemental tax bills shall be paid as follows: (i) for periods after Close Of Escrow, by Buyer; and (ii) for periods prior to Close Of Escrow, by Seller (see C.A.R. Form SPT or SBSA for further information). **TAX BILLS ISSUED AFTER CLOSE OF ESCROW SHALL BE HANDLED DIRECTLY BETWEEN BUYER AND SELLER.** Prorations shall be made based on a 30-day month.
- 24. BROKERS:**
- A. COMPENSATION:** Seller or Buyer, or both, as applicable, agrees to pay compensation to Broker as specified in a separate written agreement between Broker and that Seller or Buyer. Compensation is payable upon Close Of Escrow, or if escrow does not close, as otherwise specified in the agreement between Broker and that Seller or Buyer.
- B. SCOPE OF DUTY:** Buyer and Seller acknowledge and agree that Broker: (i) Does not decide what price Buyer should pay or Seller should accept; (ii) Does not guarantee the condition of the Property; (iii) Does not guarantee the performance, adequacy or completeness of inspections, services, products or repairs provided or made by Seller or others; (iv) Does not have an obligation to conduct an inspection of common areas or areas off the site of the Property; (v) Shall not be responsible for identifying defects on the Property, in common areas, or offsite unless such defects are visually observable by an inspection of reasonably accessible areas of the Property or are known to Broker; (vi) Shall not be responsible for inspecting public records or permits concerning the title or use of Property; (vii) Shall not be responsible for identifying the location of boundary lines or other items affecting title; (viii) Shall not be responsible for verifying square footage, representations of others or information contained in investigation reports, Multiple Listing Service, advertisements, flyers or other promotional material; (ix) Shall not be responsible for determining the fair market value of the Property or any personal property included in the sale; (x) Shall not be responsible for providing legal or tax advice regarding any aspect of a transaction entered into by Buyer or Seller; and (xi) Shall not be responsible for providing other advice or information that exceeds the knowledge, education and experience required to perform real estate licensed activity. Buyer and Seller agree to seek legal, tax, insurance, title and other desired assistance from appropriate professionals.
- 25. REPRESENTATIVE CAPACITY:** If one or more Parties is signing the Agreement in a representative capacity and not for him/herself as an individual then that Party shall so indicate in paragraph 37 or 38 and attach a Representative Capacity Signature Disclosure (C.A.R. Form RCSD). Wherever the signature or initials of the representative identified in the RCSD appear on the Agreement or any related documents, it shall be deemed to be in a representative capacity for the entity described and not in an individual capacity, unless otherwise indicated. The Party acting in a representative capacity (i) represents that the entity for which that party is acting already exists and (ii) shall Deliver to the other Party and Escrow Holder, within **3 Days After Acceptance**, evidence of authority to act in that capacity (such as but not limited to: applicable portion of the trust or Certification Of Trust (Probate Code §18100.5), letters testamentary, court order, power of attorney, corporate resolution, or formation documents of the business entity).
- 26. JOINT ESCROW INSTRUCTIONS TO ESCROW HOLDER:**
- A. The following paragraphs, or applicable portions thereof, of this Agreement constitute the joint escrow instructions of Buyer and Seller to Escrow Holder, which Escrow Holder is to use along with any related counter offers and addenda, and any additional mutual instructions to close the escrow: paragraphs 1, 3, 4B, 5, 6, 7A, 8, 9, 12B, 18, 19G, 23, 24A, 25, 26, 32, 35, 36, 37, 38 and paragraph D of the section titled Real Estate Brokers on page 11. If a Copy of the separate compensation agreement(s) provided for in paragraph 24A, or paragraph D of the section titled Real Estate Brokers on page 10 is deposited with Escrow Holder by Broker, Escrow Holder shall accept such agreement(s) and pay out from Buyer's or Seller's funds, or both, as applicable, the Broker's compensation provided for in such agreement(s). The terms and conditions of this Agreement not set forth in the specified paragraphs are additional matters for the information of Escrow Holder, but about which Escrow Holder need not be concerned. Buyer and Seller will receive Escrow Holder's general provisions, if any, directly from Escrow Holder and will execute such provisions within the time specified in paragraph 9B(1)(c). To the extent the general provisions are inconsistent or conflict with this Agreement, the general provisions will control as to the duties and obligations of Escrow Holder only. Buyer and Seller will execute additional instructions, documents and forms provided by Escrow Holder that are reasonably necessary to close the escrow and, as directed by Escrow Holder, within 3 (or ____) Days, shall pay to Escrow Holder or HOA or HOA management company or others any fee required by paragraphs 9, 12 or elsewhere in this Agreement.**
- B. A Copy of this Agreement including any counter offer(s) and addenda shall be delivered to Escrow Holder within 3 Days After Acceptance (or _____). Buyer and Seller authorize Escrow Holder to accept and rely on Copies and Signatures as defined in this Agreement as originals, to open escrow and for other purposes of escrow. The validity of this Agreement as between Buyer and Seller is not affected by whether or when Escrow Holder Signs this Agreement. Escrow Holder shall provide Seller's Statement of Information to Title company when received from Seller. If Seller delivers an affidavit to Escrow Holder to satisfy Seller's FIRPTA obligation under paragraph 12B, Escrow Holder shall deliver to Buyer a Qualified Substitute statement that complies with federal Law.**
- C. Brokers are a party to the escrow for the sole purpose of compensation pursuant to paragraph 24A and paragraph D of the section titled Real Estate Brokers on page 11. Buyer and Seller irrevocably assign to Brokers compensation specified in paragraph 24A, and irrevocably instruct Escrow Holder to disburse those funds to Brokers at Close Of Escrow or pursuant to any other mutually executed cancellation agreement. Compensation instructions can be amended or revoked only with the written consent of Brokers. Buyer and Seller shall release and hold harmless Escrow Holder from any liability resulting from Escrow Holder's payment to Broker(s) of compensation pursuant to this Agreement.**
- D. Upon receipt, Escrow Holder shall provide Seller and Seller's Broker verification of Buyer's deposit of funds pursuant to paragraph 3A and 3B. Once Escrow Holder becomes aware of any of the following, Escrow Holder shall immediately notify all Brokers: (i) if Buyer's initial or any additional deposit is not made pursuant to this Agreement, or is not good at time of deposit with Escrow Holder; or (ii) if Buyer and Seller instruct Escrow Holder to cancel escrow.**

Buyer's Initials (_____) (_____)

Seller's Initials (NSC) (_____)

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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 8 OF 11)

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1/2/19

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Date: December 14, 2018

E. A Copy of any amendment that affects any paragraph of this Agreement for which Escrow Holder is responsible shall be delivered to Escrow Holder within 3 Days after mutual execution of the amendment.

27. REMEDIES FOR BUYER'S BREACH OF CONTRACT:

- A. Any clause added by the Parties specifying a remedy (such as release or forfeiture of deposit or making a deposit non-refundable) for failure of Buyer to complete the purchase in violation of this Agreement shall be deemed invalid unless the clause independently satisfies the statutory liquidated damages requirements set forth in the Civil Code.
- B. **LIQUIDATED DAMAGES:** If Buyer fails to complete this purchase because of Buyer's default, Seller shall retain, as liquidated damages, the deposit actually paid. Buyer and Seller agree that this amount is a reasonable sum given that it is impractical or extremely difficult to establish the amount of damages that would actually be suffered by Seller in the event Buyer were to breach this Agreement. Release of funds will require mutual, Signed release instructions from both Buyer and Seller, judicial decision or arbitration award. **AT TIME OF ANY INCREASED DEPOSIT BUYER AND SELLER SHALL SIGN A SEPARATE LIQUIDATED DAMAGES PROVISION INCORPORATING THE INCREASED DEPOSIT AS LIQUIDATED DAMAGES (C.A.R. FORM RID).**

Buyer's Initials _____ / _____

Seller's Initials HS _____

28. DISPUTE RESOLUTION:

- A. **MEDIATION:** The Parties agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction, before resorting to arbitration or court action through the C.A.R. Consumer Mediation Center (www.consumermediation.org) or through any other mediation provider or service mutually agreed to by the Parties. The Parties also agree to mediate any disputes or claims with Broker(s), who, in writing, agree to such mediation prior to, or within a reasonable time after, the dispute or claim is presented to the Broker. Mediation fees, if any, shall be divided equally among the Parties involved. If, for any dispute or claim to which this paragraph applies, any Party (i) commences an action without first attempting to resolve the matter through mediation, or (ii) before commencement of an action, refuses to mediate after a request has been made, then that Party shall not be entitled to recover attorney fees, even if they would otherwise be available to that Party in any such action. **THIS MEDIATION PROVISION APPLIES WHETHER OR NOT THE ARBITRATION PROVISION IS INITIALED. Exclusions from this mediation agreement are specified in paragraph 28C.**

B. ARBITRATION OF DISPUTES:

The Parties agree that any dispute or claim in Law or equity arising between them out of this Agreement or any resulting transaction, which is not settled through mediation, shall be decided by neutral, binding arbitration. The Parties also agree to arbitrate any disputes or claims with Broker(s), who, in writing, agree to such arbitration prior to, or within a reasonable time after, the dispute or claim is presented to the Broker. The arbitrator shall be a retired judge or justice, or an attorney with at least 5 years of transactional real estate Law experience, unless the parties mutually agree to a different arbitrator. The Parties shall have the right to discovery in accordance with Code of Civil Procedure §1283.05. In all other respects, the arbitration shall be conducted in accordance with Title 9 of Part 3 of the Code of Civil Procedure. Judgment upon the award of the arbitrator(s) may be entered into any court having jurisdiction. Enforcement of this agreement to arbitrate shall be governed by the Federal Arbitration Act. Exclusions from this arbitration agreement are specified in paragraph 28C.

"NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY."

"WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION."

Buyer's Initials _____ / _____

Seller's Initials _____ / _____

C. ADDITIONAL MEDIATION AND ARBITRATION TERMS:

- (1) **EXCLUSIONS:** The following matters are excluded from mediation and arbitration: (i) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage or installment land sale contract as defined in Civil Code §2985; (ii) an unlawful detainer action; and (iii) any matter that is within the jurisdiction of a probate, small claims or bankruptcy court.
- (2) **PRESERVATION OF ACTIONS:** The following shall not constitute a waiver nor violation of the mediation and arbitration provisions: (i) the filing of a court action to preserve a statute of limitations; (ii) the filing of a court action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies; or (iii) the filing of a mechanic's lien.
- (3) **BROKERS:** Brokers shall not be obligated nor compelled to mediate or arbitrate unless they agree to do so in writing. Any Broker(s) participating in mediation or arbitration shall not be deemed a party to the Agreement.

29. SELECTION OF SERVICE PROVIDERS: Brokers do not guarantee the performance of any vendors, service or product providers ("Providers"), whether referred by Broker or selected by Buyer, Seller or other person. Buyer and Seller may select ANY Providers of their own choosing.

Buyer's Initials (_____) (_____)

Seller's Initials (HS) (_____)

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VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 9 OF 11)

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Carnazzo to City

HS

Property Address: 9191 San Rafael Court, Atascadero, CA 93422

Date: December 14, 2018

- 30. MULTIPLE LISTING SERVICE ("MLS"):** Brokers are authorized to report to the MLS a pending sale and, upon Close Of Escrow, the sales price and other terms of this transaction shall be provided to the MLS to be published and disseminated to persons and entities authorized to use the information on terms approved by the MLS.
- 31. ATTORNEY FEES:** In any action, proceeding, or arbitration between Buyer and Seller arising out of this Agreement, the prevailing Buyer or Seller shall be entitled to reasonable attorneys fees and costs from the non-prevailing Buyer or Seller, except as provided in paragraph 28A.
- 32. ASSIGNMENT:** Buyer shall not assign all or any part of Buyer's interest in this Agreement without first having obtained the written consent of Seller. Such consent shall not be unreasonably withheld unless otherwise agreed in writing. Any total or partial assignment shall not relieve Buyer of Buyer's obligations pursuant to this Agreement unless otherwise agreed in writing by Seller (C.A.R. Form AOAA).
- 33. EQUAL HOUSING OPPORTUNITY:** The Property is sold in compliance with federal, state and local anti-discrimination Laws.
- 34. TERMS AND CONDITIONS OF OFFER:** This is an offer to purchase the Property on the above terms and conditions. The liquidated damages paragraph or the arbitration of disputes paragraph is incorporated in this Agreement if initialed by all Parties or if incorporated by mutual agreement in a counteroffer or addendum. If at least one but not all Parties initial, a counter offer is required until agreement is reached. Seller has the right to continue to offer the Property for sale and to accept any other offer at any time prior to notification of Acceptance. Buyer has read and acknowledges receipt of a Copy of the offer and agrees to the confirmation of agency relationships. If this offer is accepted and Buyer subsequently defaults, Buyer may be responsible for payment of Brokers' compensation. This Agreement and any supplement, addendum or modification, including any Copy, may be Signed in two or more counterparts, all of which shall constitute one and the same writing.
- 35. TIME OF ESSENCE; ENTIRE CONTRACT; CHANGES:** Time is of the essence. All understandings between the Parties are incorporated in this Agreement. Its terms are intended by the Parties as a final, complete and exclusive expression of their Agreement with respect to its subject matter, and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. If any provision of this Agreement is held to be ineffective or invalid, the remaining provisions will nevertheless be given full force and effect. Except as otherwise specified, this Agreement shall be interpreted and disputes shall be resolved in accordance with the Laws of the State of California. **Neither this Agreement nor any provision in it may be extended, amended, modified, altered or changed, except in writing Signed by Buyer and Seller.**
- 36. DEFINITIONS:** As used in this Agreement:
- A. "Acceptance" means the time the offer or final counter offer is accepted in writing by a Party and is delivered to and personally received by the other Party or that Party's authorized agent in accordance with the terms of this offer or a final counter offer.
 - B. "Agreement" means this document and any counter offers and any incorporated addenda, collectively forming the binding agreement between the Parties. Addenda are incorporated only when Signed by all Parties.
 - C. "C.A.R. Form" means the most current version of the specific form referenced or another comparable form agreed to by the parties.
 - D. "Close Of Escrow" means the date the grant deed, or other evidence of transfer of title, is recorded.
 - E. "Copy" means copy by any means including photocopy, NCR, facsimile and electronic.
 - F. "Days" means calendar days. However, after Acceptance, the last Day for performance of any act required by this Agreement (including Close Of Escrow) shall not include any Saturday, Sunday, or legal holiday and shall instead be the next Day.
 - G. "Days After" means the specified number of calendar days after the occurrence of the event specified, not counting the calendar date on which the specified event occurs, and ending at 11:59 PM on the final day.
 - H. "Days Prior" means the specified number of calendar days before the occurrence of the event specified, not counting the calendar date on which the specified event is scheduled to occur.
 - I. "Deliver", "Delivered" or "Delivery", unless otherwise specified in writing, means and shall be effective upon: personal receipt by Buyer or Seller or the individual Real Estate Licensee for that principal as specified in the section titled Real Estate Brokers on page 11, regardless of the method used (i.e., messenger, mail, email, fax, other).
 - J. "Electronic Copy" or "Electronic Signature" means, as applicable, an electronic copy or signature complying with California Law. Buyer and Seller agree that electronic means will not be used by either Party to modify or alter the content or integrity of this Agreement without the knowledge and consent of the other Party.
 - K. "Law" means any law, code, statute, ordinance, regulation, rule or order, which is adopted by a controlling city, county, state or federal legislative, judicial or executive body or agency.
 - L. "Repairs" means any repairs (including pest control), alterations, replacements, modifications or retrofitting of the Property provided for under this Agreement.
 - M. "Signed" means either a handwritten or electronic signature on an original document, Copy or any counterpart.
- 37. EXPIRATION OF OFFER:** This offer shall be deemed revoked and the deposit, if any, shall be returned to Buyer unless the offer is Signed by Seller and a Copy of the Signed offer is personally received by Buyer, or by _____, who is authorized to receive it, by 5:00 PM on the third Day after this offer is signed by Buyer (or by _____ ☐ AM/ ☐ PM, on _____ (date)).

☐ One or more Buyers is signing the Agreement in a representative capacity and not for him/herself as an individual. See attached Representative Capacity Signature Disclosure (C.A.R. Form RCSD-B) for additional terms.

Date _____ BUYER _____

(Print name) City of Atascadero

Date _____ BUYER _____

(Print name) _____

☐ Additional Signature Addendum attached (C.A.R. Form ASA).

VLPA REVISED 12/18 (PAGE 10 OF 11)

Seller's Initials (_____) (MSC)

VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 10 OF 11)

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Carnazzo to City

MSC

Property Address: **9191 San Rafael Court, Atascadero, CA 93422**

Date: **December 14, 2018**

38. ACCEPTANCE OF OFFER: Seller warrants that Seller is the owner of the Property, or has the authority to execute this Agreement. Seller accepts the above offer and agrees to sell the Property on the above terms and conditions, and agrees to the above confirmation of agency relationships. Seller has read and acknowledges receipt of a Copy of this Agreement, and authorizes Broker to Deliver a Signed Copy to Buyer.

☐ (If checked) SELLER'S ACCEPTANCE IS SUBJECT TO ATTACHED COUNTER OFFER (C.A.R. Form SCO or SMCO) DATED:

☐ One or more Sellers is signing the Agreement in a representative capacity and not for him/herself as an individual. See attached Representative Capacity Signature Disclosure (C.A.R. Form RCSD-S) for additional terms.

Date 12/22/18 SELLER

(Print name) William S. Carnazzo as Manager for San Carlino, LLC

Date _____ SELLER

(Print name) _____

☐ Additional Signature Addendum attached (C.A.R. Form ASA).

(_____/_____) (Do not initial if making a counter offer.) **CONFIRMATION OF ACCEPTANCE:** A Copy of Signed Acceptance was personally received by Buyer or Buyer's authorized agent on (date) _____ at _____
(Initials) ☐ AM/ ☐ PM. A binding Agreement is created when a Copy of Signed Acceptance is personally received by Buyer or Buyer's authorized agent whether or not confirmed in this document. Completion of this confirmation is not legally required in order to create a binding Agreement; it is solely intended to evidence the date that Confirmation of Acceptance has occurred.

REAL ESTATE BROKERS:

A. Real Estate Brokers are not parties to the Agreement between Buyer and Seller.

B. Agency relationships are confirmed as stated in paragraph 2.

C. If specified in paragraph 3A(2), Agent who submitted the offer for Buyer acknowledges receipt of deposit.

D. COOPERATING (BUYER'S) BROKER COMPENSATION: Seller's Broker agrees to pay Buyer's Broker and Buyer's Broker agrees to accept, out of Seller's Broker's proceeds in escrow, the amount specified in the MLS, provided Buyer's Broker is a Participant of the MLS in which the Property is offered for sale or a reciprocal MLS. If Seller's Broker and Buyer's Broker are not both Participants of the MLS, or a reciprocal MLS, in which the Property is offered for sale, then compensation must be specified in a separate written agreement (C.A.R. Form CBC). Declaration of License and Tax (C.A.R. Form DLT) may be used to document that tax reporting will be required or that an exemption exists.

E. PRESENTATION OF OFFER: Pursuant to Standard of Practice 1-7, if Buyer's Broker makes a written request, Seller's Broker shall confirm in writing that this offer has been presented to Seller.

Buyer's Brokerage Firm _____ DRE Lic. # _____
By _____ DRE Lic. # _____ Date _____
By _____ DRE Lic. # _____ Date _____
Address _____ City _____ State _____ Zip _____
Telephone _____ Fax _____ E-mail _____
Seller's Brokerage Firm Pacifica Commercial Realty DRE Lic. # 01382568
By _____ Bryan Beckham DRE Lic. # 01072713 Date _____
By _____ DRE Lic. # _____ Date _____
Address 504 First Street, Ste. A City Paso Robles State CA Zip 93446
Telephone (805)237-4040 Fax (805)237-4041 E-mail bryan@pacificacre.com

ESCROW HOLDER ACKNOWLEDGMENT:

Escrow Holder acknowledges receipt of a Copy of this Agreement, (if checked, ☐ a deposit in the amount of \$ _____).
counter offer numbers _____ ☐ Seller's Statement of Information and _____
, and agrees to act as Escrow Holder subject to paragraph 26 of this Agreement, any
supplemental escrow instructions and the terms of Escrow Holder's general provisions.

Escrow Holder is advised that the date of Confirmation of Acceptance of the Agreement as between Buyer and Seller is _____

Escrow Holder _____ Escrow # _____

By _____ Date _____

Address _____

Phone/Fax/E-mail/ _____

Escrow Holder has the following license number # _____

☐ Department of Business Oversight, ☐ Department of Insurance, ☐ Department of Real Estate.

PRESENTATION OF OFFER: (_____) Seller's Broker presented this offer to Seller on _____ (date).
Broker or Designee Initials _____

REJECTION OF OFFER: (_____) (_____) No counter offer is being made. This offer was rejected by Seller on _____ (date).
Seller's Initials _____

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Buyer's Acknowledge that page 11 is part of
this Agreement (_____) (_____)



VACANT LAND PURCHASE AGREEMENT (VLPA PAGE 11 OF 11)

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Carnazzo to City

WSC



**BUYER'S VACANT LAND ADDITIONAL INSPECTION
ADVISORY**
(C.A.R. Form BVLIA, 11/13)

Property Address: 9191 San Rafael Court, Atascadero, CA 93422

("Property").

A. IMPORTANCE OF PROPERTY INVESTIGATION: The physical condition of the land and improvements being purchased is not guaranteed by either Seller or Brokers. For this reason, you should conduct thorough investigations of the Property personally and with professionals who should provide written reports of their investigations. A general physical inspection typically does not cover all aspects of the Property nor items affecting the Property that are not physically located on the Property. If the professionals recommend further investigations, including a recommendation by a pest control operator to inspect inaccessible areas of the Property, you should contact qualified experts to conduct such additional investigations. Additionally, some inspections, such as those listed below, may be of particular importance when purchasing vacant land.

B. BUYER RIGHTS AND DUTIES: You have an affirmative duty to exercise reasonable care to protect yourself, including discovery of the legal, practical and technical implications of disclosed facts, and the investigation and verification of information and facts that you know or that are within your diligent attention and observation. The purchase agreement gives you the right to investigate the Property. If you exercise this right, and you should, you must do so in accordance with the terms of that agreement. This is the best way for you to protect yourself. It is extremely important for you to read all written reports provided by professionals and to discuss the results of inspections with the professional who conducted the inspection. You have the right to request that Seller make repairs, corrections or take other action based upon items discovered in your investigations or disclosed by Seller. If Seller is unwilling or unable to satisfy your requests, or you do not want to purchase the Property in its disclosed and discovered condition, you have the right to cancel the agreement if you act within specific time periods. If you do not cancel the agreement in a timely and proper manner, you may be in breach of contract.

C. SELLER RIGHTS AND DUTIES: Seller is required to disclose to you material facts known to him/her that affect the value or desirability of the Property. However, Seller may not be aware of some Property defects or conditions. Seller does not have an obligation to inspect the Property for your benefit nor is Seller obligated to repair, correct or otherwise cure known defects that are disclosed to you or previously unknown defects that are discovered by you or your inspectors during escrow. The purchase agreement obligates Seller to make the Property available to you for investigations.

D. BROKER OBLIGATIONS: Brokers do not have expertise in all areas and therefore cannot advise you on many items, such as soil stability, geologic or environmental conditions, hazardous or illegal controlled substances, structural conditions of the foundation or other improvements, or the condition of the roof, plumbing, heating, air conditioning, electrical, sewer, septic, waste disposal, or other system. The only way to accurately determine the condition of the Property is through an inspection by an appropriate professional selected by you. If Broker gives you referrals to such professionals, Broker does not guarantee their performance. You may select any professional of your choosing. If you have entered into a written agreement with a Broker, the specific terms of that agreement will determine the nature and extent of that Broker's duty to you. **YOU ARE STRONGLY ADVISED TO INVESTIGATE THE CONDITION AND SUITABILITY OF ALL ASPECTS OF THE PROPERTY. IF YOU DO NOT DO SO, YOU ARE ACTING AGAINST THE ADVICE OF BROKERS.**

E. YOU ARE ADVISED TO CONDUCT INVESTIGATIONS OF THE ENTIRE PROPERTY, INCLUDING, BUT NOT LIMITED TO THE FOLLOWING:

- 1. FINANCE:** Financing the purchase of vacant land finance and especially financing construction loans for the improvement of vacant land can provide particular challenges, including subordination agreements and insurance requirements. Buyer is advised to seek the assistance of reputable lenders in assistance with their decisions regarding financing of the property.
- 2. CONSTRUCTION COSTS:** If Buyer is contemplating building improvements on the property, Buyer is advised that they will have to contact directly any contractors, service providers, suppliers, architects, utility companies regarding the costs of improvements. Buyer is advised to get written bids from all such persons regarding their decision to develop the property.
- 3. UTILITIES:** Unimproved property may or may not have utilities available to the property. Buyer(s) is advised to obtain information from the public or private utility provider about the availability and cost of providing utilities to the property and whether necessary easements are in place to allow such utilities to the property.
- 4. ENVIRONMENTAL SURVEY:** Unimproved land may have had or may have hazardous materials stored upon or under the land or been used by persons engaged in activities exposing the land to hazardous materials. The land may also be host to protected vegetation or animal life. Buyer(s) is advised to satisfy themselves as what hazards or protected plant or animal life are on the property and what impact they may have on Buyer's future plans for the property by seeking the help of a qualified professional.

Buyer's Initials () ()

Seller's Initials (KSC) ()

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BVLIA 11/13 (PAGE 1 OF 2)

BUYER'S VACANT LAND ADDITIONAL INSPECTION ADVISORY (BVLIA PAGE 1 OF 2)

Pacific Commercial Realty 504 First Street, Ste. A Paso Robles, CA 93446
Newlin Hastings

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Carnazzo to City



KSC

Property Address: 9191 San Rafael Court, Atascadero, CA 93422

Date: December 14, 2018

5. **NATURAL HAZARDS REPORTS:** Buyer(s) is advised that while certain disclosures are required by state, federal and local laws, hazard disclosure companies can provide additional disclosures for both natural and man-made hazards or nuisances for a cost. Buyer is advised to seek the advice of a natural hazards reporting company regarding additional reports and disclosures that buyer may wish to obtain.
6. **SUBDIVISION OF THE PROPERTY:** If Buyer's plans include future subdivision of the property (whether under the Subdivision Map Act of the Subdivided Lands Law) multiple, complex issues regarding city, county, state, and federal laws may be presented. Buyer is strongly advised to seek the advice of California legal counsel familiar with federal, state and local subdivision requirements.

Buyer and Seller acknowledge and agree that Broker: (i) Does not decide what price Buyer should pay or Seller should accept; (ii) Does not guarantee the condition of the Property; (iii) Does not guarantee the performance, adequacy or completeness of inspections, services, products or repairs provided or made by Seller or others; (iv) Does not have an obligation to conduct an inspection of common areas or areas off the site of the Property; (v) Shall not be responsible for identifying defects on the Property, in common areas, or offsite unless such defects are visually observable by an inspection of reasonably accessible areas of the Property or are known to Broker; (vi) Shall not be responsible for inspecting public records or permits concerning the title or use of Property; (vii) Shall not be responsible for identifying the location of boundary lines or other items affecting title; (viii) Shall not be responsible for verifying square footage, representations of others or information contained in Investigation reports, Multiple Listing Service, advertisements, flyers or other promotional material; (ix) Shall not be responsible for providing legal or tax advice regarding any aspect of a transaction entered into by Buyer or Seller; and (x) Shall not be responsible for providing other advice or information that exceeds the knowledge, education and experience required to perform real estate licensed activity. Buyer and Seller agree to seek legal, tax, insurance, title and other desired assistance from appropriate professionals.

By signing below, Buyer and Seller each acknowledge that they have read, understand, accept and have received a Copy of this Advisory. Buyer is encouraged to read it carefully.

SELLER


William S. Carnazzo as Manager for San Carlino, LLC

Date

12/22/18

SELLER

Date

BUYER

City of Atascadero

Date

BUYER

Date

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BUYER'S VACANT LAND ADDITIONAL INSPECTION ADVISORY (BVLIA PAGE 2 OF 2)

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Carnazzo to City





CALIFORNIA
ASSOCIATION
OF REALTORS®

ADDENDUM

(C.A.R. Form ADM, Revised 12/15)

No. 1

The following terms and conditions are hereby incorporated in and made a part of the: ☒ Purchase Agreement, ☐ Residential Lease or Month-to-Month Rental Agreement, ☐ Transfer Disclosure Statement (Note: An amendment to the TDS may give the Buyer a right to rescind), ☐ Other _____, dated December 14, 2018, on property known as 9191 San Rafael Court

Atascadero, CA 93422

in which City of Atascadero is referred to as ("Buyer/Tenant") and William S. Carnazzo as Manager for San Carlino, LLC is referred to as ("Seller/Landlord").

1) Notwithstanding any provision in this Agreement to the contrary, the parties agree that the deadline for the City to complete its site investigation and waive the site condition contingency shall be February 13, 2019.

2) Property is sold in an "as is - where is" condition.

3) Seller agrees that Buyer may enter onto the property to conduct a geotechnical investigation including borings and taking of soil samples at any time during the period of January 9, 2019 and January 31, 2019.

4) Buyer agrees to reimburse Seller 1/2 of the \$1,500.00 Appraisal Fee previously paid by Seller.

The foregoing terms and conditions are hereby agreed to, and the undersigned acknowledge receipt of a copy of this document.

Date _____

Date 1/11/19

Buyer/Tenant _____

Seller/Landlord [Signature]

City of Atascadero

William S. Carnazzo as Manager for San Carlino, LLC

Buyer/Tenant _____

Seller/Landlord _____

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ADDENDUM (ADM PAGE 1 OF 1)



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Fax: 805.237.4041

Carnazzo to City



POSSIBLE REPRESENTATION OF MORE THAN ONE BUYER OR SELLER - DISCLOSURE AND CONSENT

(C.A.R. Form PRBS, Revised 12/18)

A real estate broker (Broker), whether a corporation, partnership or sole proprietorship, may represent more than one buyer or seller. This multiple representation can occur through an individual licensed as a broker or salesperson or through different individual broker's or salespersons (associate licensees) acting under the Broker's license. The associate licensees may be working out of the same or different office locations.

Multiple Buyers: Broker (individually or through its associate licensees) may be working with many prospective buyers at the same time. These prospective buyers may have an interest in, and make offers on, the same properties. Some of these properties may be listed with Broker and some may not. Broker will not limit or restrict any particular buyer from making an offer on any particular property whether or not Broker represents other buyers interested in the same property.

Multiple Sellers: Broker (individually or through its associate licensees) may have listings on many properties at the same time. As a result, Broker will attempt to find buyers for each of those listed properties. Some listed properties may appeal to the same prospective buyers. Some properties may attract more prospective buyers than others. Some of these prospective buyers may be represented by Broker and some may not. Broker will market all listed properties to all prospective buyers whether or not Broker has another or other listed properties that may appeal to the same prospective buyers.

Dual Agency: If Seller is represented by Broker, Seller acknowledges that broker may represent prospective buyers of Seller's property and consents to Broker acting as a dual agent for both seller and buyer in that transaction. If Buyer is represented by Broker, buyer acknowledges that Broker may represent sellers of property that Buyer is interested in acquiring and consents to Broker acting as a dual agent for both buyer and seller with regard to that property.

In the event of dual agency, seller and buyer agree that: a dual agent may not, without the express permission of the respective party, disclose to the other party confidential information, including, but not limited to, facts relating to either the buyer's or seller's financial position, motivations, bargaining position, or other personal information that may impact price, including the seller's willingness to accept a price less than the listing price or the buyer's willingness to pay a price greater than the price offered; and except as set forth above, a dual agent is obligated to disclose known facts materially affecting the value or desirability of the Property to both parties.

Offers not necessarily confidential: Buyer is advised that seller or listing agent may disclose the existence, terms, or conditions of buyer's offer unless all parties and their agent have signed a written confidentiality agreement. Whether any such information is actually disclosed depends on many factors, such as current market conditions, the prevailing practice in the real estate community, the listing agent's marketing strategy and the instructions of the seller.

Buyer and seller understand that Broker may represent more than one buyer or more than one seller and even both buyer and seller on the same transaction and consents to such relationships.

Seller and/or Buyer acknowledges reading and understanding this Possible Representation of More Than One Buyer or Seller - Disclosure and Consent and agrees to the agency possibilities disclosed.

Seller William S. Carnazzo as Manager for San Carlino Date 12/22/18
 Seller _____ Date _____

Buyer _____ City of Atascadero Date _____
 Buyer _____ Date _____

Buyer's Brokerage Firm _____ DRE Lic # _____ Date _____
 By _____ DRE Lic # _____ Date _____

Seller's Brokerage Firm Pacifica Commercial Realty DRE Lic # 01382568 Date _____
 By Bryan Beckham DRE Lic # 01072713 Date _____

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PRBS REVISED 12/18 (PAGE 1 OF 1)

POSSIBLE REPRESENTATION OF MORE THAN ONE BUYER OR SELLER (PRBS PAGE 1 OF 1)

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**WIRE FRAUD AND ELECTRONIC FUNDS
TRANSFER ADVISORY**
(C.A.R. Form WFA, Revised 12/17)

Property Address: 9191 San Rafael Court, Atascadero, CA 93422 ("Property").

WIRE FRAUD AND ELECTRONIC FUNDS TRANSFERS ADVISORY:

The ability to communicate and conduct business electronically is a convenience and reality in nearly all parts of our lives. At the same time, it has provided hackers and scammers new opportunities for their criminal activity. Many businesses have been victimized and the real estate business is no exception.

While wiring or electronically transferring funds is a welcome convenience, we all need to exercise extreme caution. Emails attempting to induce fraudulent wire transfers have been received and have appeared to be legitimate. Reports indicate that some hackers have been able to intercept emailed transfer instructions, obtain account information and, by altering some of the data, redirect the funds to a different account. It also appears that some hackers were able to provide false phone numbers for verifying the wiring or funds transfer instructions. In those cases, the victim called the number provided to confirm the instructions, and then unwittingly authorized a transfer to somewhere or someone other than the intended recipient.

ACCORDINGLY, YOU ARE ADVISED:

1. Obtain phone numbers and account numbers only from Escrow Officers, Property Managers, or Landlords at the beginning of the transaction.
2. DO NOT EVER WIRE OR ELECTRONICALLY TRANSFER FUNDS PRIOR TO CALLING TO CONFIRM THE TRANSFER INSTRUCTIONS. ONLY USE A PHONE NUMBER YOU WERE PROVIDED PREVIOUSLY. Do not use any different phone number or account number included in any emailed transfer instructions.
3. Orally confirm the transfer instruction is legitimate and confirm the bank routing number, account numbers and other codes before taking steps to transfer the funds.
4. Avoid sending personal information in emails or texts. Provide such information in person or over the telephone directly to the Escrow Officer, Property Manager, or Landlord.
5. Take steps to secure the system you are using with your email account. These steps include creating strong passwords, using secure WiFi, and not using free services.

If you believe you have received questionable or suspicious wire or funds transfer instructions, immediately notify your bank, and the other party, and the Escrow Office, Landlord, or Property Manager. The sources below, as well as others, can also provide information:

Federal Bureau of Investigation: <https://www.fbi.gov/>; the FBI's IC3 at www.ic3.gov; or 310-477-6565

National White Collar Crime Center: <http://www.nw3c.org/>

On Guard Online: <https://www.onguardonline.gov/>

NOTE: There are existing alternatives to electronic and wired fund transfers such as cashier's checks. By signing below, the undersigned acknowledge that each has read, understands and has received a copy of this Wire Fraud and Electronic Funds Transfer Advisory.

Buyer/Tenant _____ City of Atascadero Date _____

Buyer/Tenant _____ Date _____

Seller/Landlord William S. Carnazzo William S. Carnazzo as Manager for San Carlino, LLC Date 12/22/18

Seller/Landlord _____ Date _____

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WFA REVISED 12/17 (PAGE 1 OF 1)

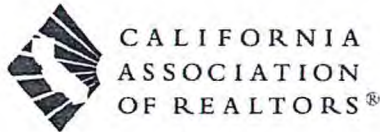
WIRE FRAUD AND ELECTRONIC FUNDS TRANSFER ADVISORY (WFA PAGE 1 OF 1)

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Carnazzo to City



DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP

(Buyer's Brokerage Firm to Buyer)
(As required by the Civil Code)
(C.A.R. Form AD, Revised 12/18)

☐ (If checked) This form is being provided in connection with a transaction for a leasehold interest exceeding one year as per Civil Code section 2079.13(j), (k) and (l).

When you enter into a discussion with a real estate agent regarding a real estate transaction, you should from the outset understand what type of agency relationship or representation you wish to have with the agent in the transaction.

SELLER'S AGENT

A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or a subagent of that agent has the following affirmative obligations:

To the Seller: A Fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the Seller.

To the Buyer and the Seller:

- (a) Diligent exercise of reasonable skill and care in performance of the agent's duties.
- (b) A duty of honest and fair dealing and good faith.
- (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

BUYER'S AGENT

A Buyer's agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations:

To the Buyer: A fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the Buyer.

To the Buyer and the Seller:

- (a) Diligent exercise of reasonable skill and care in performance of the agent's duties.
- (b) A duty of honest and fair dealing and good faith.
- (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

AGENT REPRESENTING BOTH SELLER AND BUYER

A real estate agent, either acting directly or through one or more salespersons and broker associates, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer.

In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer:

- (a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either the Seller or the Buyer.
- (b) Other duties to the Seller and the Buyer as stated above in their respective sections.

In representing both Seller and Buyer, a dual agent may not, without the express permission of the respective party, disclose to the other party confidential information, including, but not limited to, facts relating to either the Buyer's or Seller's financial position, motivations, bargaining position, or other personal information that may impact price, including the Seller's willingness to accept a price less than the listing price or the Buyer's willingness to pay a price greater than the price offered.

SELLER AND BUYER RESPONSIBILITIES

Either the purchase agreement or a separate document will contain a confirmation of which agent is representing you and whether that agent is representing you exclusively in the transaction or acting as dual agent. Please pay attention to that confirmation to make sure it accurately reflects your understanding of your agent's role.

The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect his or her own interests. You should carefully read all agreements to assure that they adequately express your understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

If you are a Buyer, you have the duty to exercise reasonable care to protect yourself, including as to those facts about the property which are known to you or within your diligent attention and observation.

Both Sellers and Buyers should strongly consider obtaining tax advice from a competent professional because the federal and state tax consequences of a transaction can be complex and subject to change.

Throughout your real property transaction you may receive more than one disclosure form, depending upon the number of agents assisting in the transaction. The law requires each agent with whom you have more than a casual relationship to present you with this disclosure form. You should read its contents each time it is presented to you, considering the relationship between you and the real estate agent in your specific transaction. This disclosure form includes the provisions of Sections 2079.13 to 2079.24, inclusive, of the Civil Code set forth on page 2. Read it carefully. I/WE ACKNOWLEDGE RECEIPT OF A COPY OF THIS DISCLOSURE AND THE PORTIONS OF THE CIVIL CODE PRINTED ON THE BACK (OR A SEPARATE PAGE).

☐ Buyer ☐ Seller ☐ Landlord ☐ Tenant _____ Date _____
City of Atascadero
☐ Buyer ☒ Seller ☐ Landlord ☐ Tenant San Carlos LLC by William Carnazzo Date 12/22/18
Agent _____ DRE Lic. # _____
By _____ Real Estate Broker (Firm) _____
By _____ DRE Lic. # _____ Date _____
(Salesperson or Broker-Associate, if any)

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AD REVISED 12/18 (PAGE 1 OF 2)

DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP (AD PAGE 1 OF 2)

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WSC

CIVIL CODE SECTIONS 2079.13 – 2079.24 (2079.16 APPEARS ON THE FRONT)

2079.13. As used in Sections 2079.7 and 2079.14 to 2079.24, inclusive, the following terms have the following meanings:

(a) "Agent" means a person acting under provisions of Title 9 (commencing with Section 2295) in a real property transaction, and includes a person who is licensed as a real estate broker under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code, and under whose license a listing is executed or an offer to purchase is obtained. The agent in the real property transaction bears responsibility for that agent's salespersons or broker associates who perform as agents of the agent. When a salesperson or broker associate owes a duty to any principal, or to any buyer or seller who is not a principal, in a real property transaction, that duty is equivalent to the duty owed to that party by the broker for whom the salesperson or broker associate functions. (b) "Buyer" means a transferee in a real property transaction, and includes a person who executes an offer to purchase real property from a seller through an agent, or who seeks the services of an agent in more than a casual, transitory, or preliminary manner, with the object of entering into a real property transaction. "Buyer" includes vendee or lessee of real property. (c) "Commercial real property" means all real property in the state, except (1) single-family residential real property, (2) dwelling units made subject to Chapter 2 (commencing with Section 1940) of Title 5, (3) a mobilehome, as defined in Section 798.3, (4) vacant land, or (5) a recreational vehicle, as defined in Section 799.29. (d) "Dual agent" means an agent acting, either directly or through a salesperson or broker associate, as agent for both the seller and the buyer in a real property transaction. (e) "Listing agreement" means a written contract between a seller of real property and an agent, by which the agent has been authorized to sell the real property or to find or obtain a buyer, including rendering other services for which a real estate license is required to the seller pursuant to the terms of the agreement. (f) "Seller's agent" means a person who has obtained a listing of real property to act as an agent for compensation. (g) "Listing price" is the amount expressed in dollars specified in the listing for which the seller is willing to sell the real property through the seller's agent. (h) "Offering price" is the amount expressed in dollars specified in an offer to purchase for which the buyer is willing to buy the real property. (i) "Offer to purchase" means a written contract executed by a buyer acting through a buyer's agent that becomes the contract for the sale of the real property upon acceptance by the seller. (j) "Real property" means any estate specified by subdivision (1) or (2) of Section 761 in property, and includes (1) single-family residential property, (2) multiunit residential property with more than four dwelling units, (3) commercial real property, (4) vacant land, (5) a ground lease coupled with improvements, or (6) a manufactured home as defined in Section 18007 of the Health and Safety Code, or a mobilehome as defined in Section 18008 of the Health and Safety Code, when offered for sale or sold through an agent pursuant to the authority contained in Section 10131.6 of the Business and Professions Code. (k) "Real property transaction" means a transaction for the sale of real property in which an agent is retained by a buyer, seller, or both a buyer and seller to act in that transaction, and includes a listing or an offer to purchase. (l) "Sell," "sale," or "sold" refers to a transaction for the transfer of real property from the seller to the buyer and includes exchanges of real property between the seller and buyer, transactions for the creation of a real property sales contract within the meaning of Section 2985, and transactions for the creation of a leasehold exceeding one year's duration. (m) "Seller" means the transferor in a real property transaction and includes an owner who lists real property with an agent, whether or not a transfer results, or who receives an offer to purchase real property of which he or she is the owner from an agent on behalf of another. "Seller" includes both a vendor and a lessor of real property. (n) "Buyer's agent" means an agent who represents a buyer in a real property transaction.

2079.14. A seller's agent and buyer's agent shall provide the seller and buyer in a real property transaction with a copy of the disclosure form specified in Section 2079.16, and shall obtain a signed acknowledgment of receipt from that seller and buyer, except as provided in Section 2079.15, as follows: (a) The seller's agent, if any, shall provide the disclosure form to the seller prior to entering into the listing agreement. (b) The buyer's agent shall provide the disclosure form to the buyer as soon as practicable prior to execution of the buyer's offer to purchase. If the offer to purchase is not prepared by the buyer's agent, the buyer's agent shall present the disclosure form to the buyer not later than the next business day after receiving the offer to purchase from the buyer.

2079.15. In any circumstance in which the seller or buyer refuses to sign an acknowledgment of receipt pursuant to Section 2079.14, the agent shall set forth, sign, and date a written declaration of the facts of the refusal.

2079.16 Reproduced on Page 1 of this AD form.

2079.17(a) As soon as practicable, the buyer's agent shall disclose to the buyer and seller whether the agent is acting in the real property transaction as the buyer's agent, or as a dual agent representing both the buyer and the seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller, the buyer, and the buyer's agent prior to or coincident with execution of that contract by the buyer and the seller, respectively. (b) As soon as practicable, the seller's agent shall disclose to the seller whether the seller's agent is acting in the real property transaction as the seller's agent, or as a dual agent representing both the buyer and seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller and the seller's agent prior to or coincident with the execution of that contract by the seller.

CONFIRMATION: The following agency relationships are confirmed for this transaction:

Seller's Brokerage Firm	DO NOT COMPLETE. SAMPLE ONLY	License Number
Is the broker of (check one): <input type="checkbox"/> the seller; or <input type="checkbox"/> both the buyer and seller. (dual agent)		
Seller's Agent	DO NOT COMPLETE. SAMPLE ONLY	License Number
Is (check one): <input type="checkbox"/> the Seller's Agent. (salesperson or broker associate) <input type="checkbox"/> both the Buyer's and Seller's Agent. (dual agent)		
Buyer's Brokerage Firm	DO NOT COMPLETE. SAMPLE ONLY	License Number
Is the broker of (check one): <input type="checkbox"/> the buyer; or <input type="checkbox"/> both the buyer and seller. (dual agent)		
Buyer's Agent	DO NOT COMPLETE. SAMPLE ONLY	License Number
Is (check one): <input type="checkbox"/> the Buyer's Agent. (salesperson or broker associate) <input type="checkbox"/> both the Buyer's and Seller's Agent. (dual agent)		

(d) The disclosures and confirmation required by this section shall be in addition to the disclosure required by Section 2079.14. An agent's duty to provide disclosure and confirmation of representation in this section may be performed by a real estate salesperson or broker associate affiliated with that broker.

2079.18 (Repealed pursuant to AB-1289)

2079.19 The payment of compensation or the obligation to pay compensation to an agent by the seller or buyer is not necessarily determinative of a particular agency relationship between an agent and the seller or buyer. A listing agent and a selling agent may agree to share any compensation or commission paid, or any right to any compensation or commission for which an obligation arises as the result of a real estate transaction, and the terms of any such agreement shall not necessarily be determinative of a particular relationship.

2079.20 Nothing in this article prevents an agent from selecting, as a condition of the agent's employment, a specific form of agency relationship not specifically prohibited by this article if the requirements of Section 2079.14 and Section 2079.17 are complied with.


2079.21 (a) A dual agent may not, without the express permission of the seller, disclose to the buyer any confidential information obtained from the seller. (b) A dual agent may not, without the express permission of the buyer, disclose to the seller any confidential information obtained from the buyer. (c) "Confidential information" means facts relating to the client's financial position, motivations, bargaining position, or other personal information that may impact price, such as the seller is willing to accept a price less than the listing price or the buyer is willing to pay a price greater than the price offered. (d) This section does not alter in any way the duty or responsibility of a dual agent to any principal with respect to confidential information other than price.

2079.22 Nothing in this article precludes a seller's agent from also being a buyer's agent. If a seller or buyer in a transaction chooses to not be represented by an agent, that does not, of itself, make that agent a dual agent.

2079.23 A contract between the principal and agent may be modified or altered to change the agency relationship at any time before the performance of the act which is the object of the agency with the written consent of the parties to the agency relationship.

2079.24 Nothing in this article shall be construed to either diminish the duty of disclosure owed buyers and sellers by agents and their associate licensees, subagents, and employees or to relieve agents and their associate licensees, subagents, and employees from liability for their conduct in connection with acts governed by this article or for any breach of a fiduciary duty or a duty of disclosure.

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Carnazzo to City

Handwritten signature



CALIFORNIA
ASSOCIATION
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ADDENDUM

(C.A.R. Form ADM, Revised 12/15)

No. 1

The following terms and conditions are hereby incorporated in and made a part of the: ☒ Purchase Agreement, ☐ Residential Lease or Month-to-Month Rental Agreement, ☐ Transfer Disclosure Statement (Note: An amendment to the TDS may give the Buyer a right to rescind), ☐ Other _____

dated December 14, 2018, on property known as 9191 San Rafael Court
Atascadero, CA 93422

in which City of Atascadero is referred to as ("Buyer/Tenant")
and William S. Carnazzo as Manager for San Carlino, LLC is referred to as ("Seller/Landlord").

1) Notwithstanding any provision in this Agreement to the contrary, the parties agree that the deadline for the City to complete its site investigation and waive the site condition contingency shall be February 13, 2019.

2) Property is sold in an "as is - where is" condition.

3) Seller agrees that Buyer may enter onto the property to conduct a geotechnical investigation including borings and taking of soil samples at any time during the period of January 9, 2019 and January 31, 2019.

4) Buyer agrees to reimburse Seller 1/2 of the \$1,500.00 Appraisal Fee previously paid by Seller.

The foregoing terms and conditions are hereby agreed to, and the undersigned acknowledge receipt of a copy of this document.

Date _____

Date 1/11/19

Buyer/Tenant _____

Seller/Landlord [Signature]

City of Atascadero

William S. Carnazzo as Manager for San Carlino, LLC

Buyer/Tenant _____

Seller/Landlord _____

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Carnazzo to City



Atascadero City Council

Staff Report – Public Works & Admin. Services Departments

Fiscal Year 2018 Annual Road Report

RECOMMENDATIONS:

The Citizens' Sales Tax Oversight Committee recommends Council:

1. Approve the Fiscal Year 2018 Annual Road Report.
2. Approve the 2018 Community Road Report.

DISCUSSION:

2018 Annual Road Report

On July 8, 2014, the Atascadero City Council adopted Ordinance No. 581, imposing a transactions and use tax. This Ordinance became operative when the majority of Atascadero voters approved it in November 2014. Among other items, the Ordinance outlines annual reporting requirements related to the additional half cent sales tax.

Section 15 of the Ordinance requires the preparation of an Annual Road Report by the City to the Citizens' Sales Tax Oversight Committee (CSTOC) for review. Section 15 of Ordinance No. 581 reads as follows:

Section 15. ANNUAL ROAD REPORT. An Annual Road Report shall be prepared by the City no later than the last day of the sixth month following the end of each City fiscal year. The Report shall be submitted to the Citizens' Oversight Committee for review. The Committee will submit their findings and conclusions to the City Council. The Report will also be made available to the public. The Annual Road Report shall detail the prior fiscal year's activities related to the retail transaction and use tax. The Report shall include revenues generated by the Transaction and Use Tax, expenditures (in summary form), funds carried over from previous fiscal years, and any remaining funds to be carried over for expenditure in subsequent fiscal years.

In accordance with the Ordinance, the attached 2018 Annual Road Report reviewed and approved by CSTOC at their January 7, 2019 meeting. CSTOC recommends that the City Council approve the 2018 Annual Road Report.

2018 Community Road Report

City staff created a Community Road Report (CRR) brochure that summarizes the F-14 Sales Tax Measure and background on how the City is proceeding with implementing the Measure. This brochure/handout is designed to complement the Annual Road Report. A summary of roadway work that occurred for the reporting period, as well as programmed work for the following year, is included in the CRR. Financials from the Annual Road Report are also summarized in the CRR.

The CRR is recommended to be distributed via US mail to all properties in the City. The brochure will also be made available at City Hall and on the City's website.

CSTOC also reviewed and endorsed the attached 2018 Community Road Report at their January meeting.

FISCAL IMPACT:

Distribution of the 2018 Community Road Report is estimated to cost \$3,800 in budgeted General Funds.

ATTACHMENTS:

1. Fiscal Year 2018 Annual Road Report
2. 2018 Community Road Report

City of Atascadero

Citizens' Sales Tax Oversight Committee



Annual Road Report

Fiscal Year 2018



City of Atascadero

ELECTED OFFICIALS

Tom O'Malley, Mayor

Roberta Fonzi, Mayor Pro Tempore

Charles Bourbeau, Council Member

Heather Moreno, Council Member

Brian Sturtevant, Council Member

Gere W. Sibbach, City Treasurer

CITIZENS' SALES TAX OVERSIGHT COMMITTEE MEMBERS

Bill Hatch, Atascadero Kiwanis, *Chairperson*

Robert "Grigger" Jones, Atascadero Chamber of Commerce, *Vice-Chairperson*

Debbie Argano, Escuela Del Rio

Scott Burgess, At Large

Vacant, The Link Family Center

Don Giessinger, Atascadero Rotary Club

Carey Rogers, Senior Citizens United

Michael Shaw, At-Large

Carol Simonin, Quota International

CITY OF ATASCADERO
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*This fund is a sub-account of the General Fund and will be included with the General Fund audited financial statements.

Executive Summary

Revenues

In November 2014, Atascadero voters approved Sales Tax Measure F-14, increasing the City sales tax rate by 0.5%. The additional half percent sales tax revenue is the subject of this Annual Report.

Retailers within the City limits of Atascadero began collecting the approved 0.5% sales tax on April 1, 2015. These retailers are required to submit sales tax revenues directly to the California Department of Tax and Fee Administration (CDTFA) on a monthly, quarterly, or annual reporting basis (as determined by the State).

After the CDTFA has processed the payments and reports from the Retailers, the CDTFA remits payment to the City. The City generally receives these payments from the CDTFA about 60 days after the end of the month in which the sales took place.

Although the flow of the cash does take extra time to get to the City's account, the sales tax revenue is counted in the period when the sales took place. For example, the City received a sales tax payment from the CDTFA in late September 2017 for the sales that took place during the month of July 2017. The City counts that as July revenue, although it was received much later.

The total Measure F-14 Sales Tax Revenue that was earned for the period July 2017 – June 2018 was \$2,307,369.

Expenditures

Expenditures for repairing and maintaining neighborhood roads and other roadways involve a process designed to provide transparency and fairness. The City has implemented a "Critical Point Management" methodology. This methodology selects road segments whose conditions are such that if repairs or maintenance is not performed in the near future, the road will deteriorate into a condition that will require more extensive and costly repairs to bring it to a similar state of good condition that less costly repairs and maintenance could realize if done sooner. The end result of Critical Point Management is prioritization of road repairs and maintenance with the objective of providing the lowest life cycle costs and optimizing the overall pavement conditions of the roadway system.

Once selected, road segments are compiled into resurfacing or rehabilitation projects which are designed and then advertised for construction to local contractors and throughout California for a 30 day period. Sealed bid proposals are received and evaluated, and then a contract is awarded to the lowest responsive bidder. Contracts are approved by Council, if necessary, per the City's purchasing policy. The contracts are executed and bonds and insurance provided by the Contractor. Construction begins and City staff provides project inspection and oversight. Once the project is ready to be publicly bid, construction typically begins approximately 60 to 90 days later.

A total of \$1,684,344 was spent on five projects during the 2017-2018 fiscal year. It is difficult to have all costs for individual projects to occur during a single fiscal period given the time needed to design, bid, and construct roadway projects. In addition, the fiscal year ends during the middle of peak

Executive Summary (continued)

Expenditures (continued)

roadway construction season, which splits construction costs over two fiscal periods. A summary of the projects that incurred costs during the reporting period are included below.

2016 Pavement Rehabilitation Project

This project incurred \$37,356 in expenditures during the reporting period, which included retention payments to the construction contractor and staff time for end of project paperwork. The total project cost of \$1,739,502 was less than the adjusted budget amount of \$1,945,250, resulting in \$205,748 remaining in Measure F-14 fund balance reserves.

2017 Pavement Resurfacing Project

This project incurred \$13,079 in expenditures during the reporting period and included the following road segments totaling 2.35 centerline miles:

1. Colorado Avenue from San Rafael Road to San Diego Way
2. Estrada Avenue from San Anselmo Road to San Jacinto Avenue
3. La Linia Avenue from West End to El Dorado Road
4. Navajoa Avenue from Santa Ynez Avenue to Curbaril Avenue
5. Serra Avenue from Atascadero Avenue to San Andres Avenue
6. Sycamore Road from Hidalgo Avenue to Miramon Avenue

Design for the project was performed in-house by City staff and publicly bid in March 2017. Five bid proposals were received ranging from \$232,844 to \$469,505 with the low bid submitted by R. Burke Construction. Pavement treatment work included a surface leveling course, slurry sealing and constructing asphalt dikes. Final construction costs totaled \$236,584, with the Notice of Completion issued July 2017. The total project cost of \$243,416 was less than the budget amount of \$286,530, resulting in \$43,114 remaining in Measure F-14 fund balance reserves.

2017 Pavement Rehabilitation Project

This project incurred \$1,408,576 in expenditures during the reporting period and included the following road segments totaling 2.31 centerline miles:

1. Alcantara Avenue from Marchant Avenue North to Marchant Avenue South
2. Carmelita Road from Curbaril Avenue to Portola Road
3. Carmelita Road from Portola Road to San Gabriel Road
4. Cortez Avenue from Maleza Avenue to Curbaril Avenue
5. Monterey Road from Campo Road to San Anselmo Road

Pavement deflection testing was completed in the summer of 2016 and a Request for Proposals for the rehabilitation design was publicly advertised in September 2016. Design was completed by May 2017 and the construction project was publicly bid in June 2017. Four bid proposals were received ranging from \$1,399,615 to \$1,655,513 with the low bid submitted by Granite Construction Company. Pavement rehabilitation work includes full depth reclamation, lime and cement treating of subgrade soils, pavement reconstruction, asphalt overlay, slurry seal and minor drainage improvements. Final construction costs totaled \$1,378,492, with the Notice of Completion issued December 2017. The

Executive Summary (continued)

Expenditures (continued)

total project cost of \$1,529,913 was less than the budget amount of \$1,990,000, resulting in \$460,087 remaining in Measure F-14 fund balance reserves.

2018 Pavement Rehabilitation Project

This project incurred \$200,032 in expenditures during the reporting period and included the following road segments totaling 3.37 centerline miles. Note that for design and construction efficiency, Council approved the inclusion of Capistrano Road (originally designated as the 2018 Resurfacing Project) with the Rehabilitation Project:

1. Nogales Avenue from Dolores Avenue to Dulzura Avenue
2. Rosario Avenue from El Camino Real to Alamo Avenue
3. San Benito Road from Colima Road to Traffic Way
4. Tunitas Avenue from Bajada Avenue to Traffic Way
5. Capistrano Avenue from West Mall to Sycamore Road

Pavement deflection testing was completed in the summer of 2017 and a Request for Proposals for the rehabilitation design was publicly advertised in October 2017. Five design proposals were received and North Coast Engineering was selected by the review panel to complete the design. Design was completed by May 2018 and the construction project was publicly bid in June 2018. Four bid proposals were received ranging from \$1,252,633 to \$1,652,764 with the low bid submitted by Souza Construction, Inc. Pavement rehabilitation work includes full depth digouts, asphalt overlay, and minor drainage improvements. All construction expenditures will be included within the 2018-2019 fiscal year, but the project is nearing completion as of the end of calendar year 2018, with anticipated final construction costs totaling about \$1,325,000. The total budget for this project is \$2,200,500.

2019 Pavement Rehabilitation Project

This project incurred \$25,301 in expenditures during the reporting period and included the following road segments totaling 3.28 centerline miles:

1. Balboa Road from San Fernando Road to Graves Creek Road
2. Garcia Road from Santa Cruz Road to San Gregorio Road
3. San Gregorio Road from Garcia Road to Del Rio Road*
4. Del Rio Road from San Gregorio Road to Monterey Road*
5. Monterey Road from Del Rio Road to Campo Road
6. Navarette Avenue from Santa Lucia Road to San Marcos Road

* Due to the unusual street alignment at the intersection of Del Rio Road and Monterey Road, there are two small roadway segments of San Gregorio Road and Del Rio Road (totaling 0.24 miles), which were not included in this project. Since the entire roadway from Campo Road to Santa Cruz Road would otherwise be completed, these two road segments were added to this project for continuity. Additional costs are expected to be small relative to overall project costs.

Executive Summary

(continued)

Expenditures (continued)

Pavement deflection testing was completed in the spring of 2018 and a Request for Proposals for engineering design was publicly advertised in August 2018. Five design proposals were received and Wallace Group was selected by the review panel to complete the design. This project is anticipated to be bid in spring of 2019. The total budget for this project is \$2,202,000.

Fund Balance

The amount of \$2,985,322 remained in the Measure F-14 Sales Tax Projects Fund at the end of the fiscal year and will carry forward to the 2018-2019 fiscal year. Fund balance reserves from completed projects and higher than expected revenues are programmed to future roadway projects on the 5-Year Capital Improvement Program (CIP). The CIP is updated in conjunction with the budget process every two years. Estimated costs for CIP projects are updated and additional roadway segments are selected with any remaining fund balance. All Measure F-14 revenue is constrained to be spent on roadway project costs.

CITY OF ATASCADERO

MEASURE F-14 SALES TAX PROJECTS FUND* FINANCIAL STATEMENTS

June 30, 2018

*This fund is a sub-account of the General Fund and will be included with the General Fund audited financial statements.

CITY OF ATASCADERO

MEASURE F-14 SALES TAX PROJECTS FUND*

June 30, 2018

Certification of Citizens' Sales Tax Oversight Committee Chairperson:

I hereby certify that the attached statements and report have been reviewed by the City of Atascadero Citizens' Sales Tax Oversight Committee and are true and accurate:



Robert "Grigger" Jones
Vice-Chairperson

1/7/19

Date

*This fund is a sub-account of the General Fund and will be included with the General Fund audited financial statements.

CITY OF ATASCADERO
MEASURE F-14 SALES TAX PROJECTS FUND*
BALANCE SHEET
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and investments	\$ 2,718,476	\$ 2,090,191
Receivables:		
Due from State of California	425,999	355,400
Interest receivable	<u>6,124</u>	<u>4,281</u>
Total assets	<u>3,150,599</u>	<u>2,449,872</u>
 LIABILITIES		
Accounts payable	<u>165,277</u>	<u>88,129</u>
Total liabilities	<u>165,277</u>	<u>88,129</u>
 FUND BALANCE		
Restricted	<u>2,985,322</u>	<u>2,361,743</u>
Total fund balance	<u><u>\$ 2,985,322</u></u>	<u><u>\$ 2,361,743</u></u>

*This fund is a sub-account of the General Fund and will be included with the General Fund audited financial statements.

CITY OF ATASCADERO

MEASURE F-14 SALES TAX PROJECTS FUND*

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

For the Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
Revenues:		
Sales tax	\$ 2,307,369	\$ 2,119,420
Use of money and property	554	6,570
Total revenues	2,307,923	2,125,990
Expenditures:		
Capital Outlay:		
2016 Pavement Resurfacing	-	216,874
2016 Pavement Rehabilitation	37,356	1,569,599
2017 Pavement Resurfacing	13,079	230,337
2017 Pavement Rehabilitation	1,408,576	121,337
2018 Pavement Rehabilitation	200,032	-
2019 Pavement Rehabilitation	25,301	-
Total expenditures	1,684,344	2,138,147
Net change in fund balance	623,579	(12,157)
Fund balance - beginning of fiscal year	2,361,743	2,373,900
Fund balance - end of fiscal year	\$ 2,985,322	\$ 2,361,743

*This fund is a sub-account of the General Fund and will be included with the General Fund in the City's audited financial statements.

City of Atascadero
Measure F-14 Sales Tax Projects Fund
Fiscal Years Ended June 30, 2015 through June 30, 2018

ITEM NUMBER: C-1
DATE: 01/22/19
ATTACHMENT: 1

	2015	2016	2017	2018	Total
Revenues:					
Sales tax	\$ 472,278	\$ 2,095,116	\$ 2,119,420	\$ 2,307,369	\$ 6,994,183
Use of money and property	257	30,786	6,570	554	38,167
Total revenues	472,535	2,125,902	2,125,990	2,307,923	7,032,350
Expenditures:					
Alamo Avenue (Rosario Ave to Barrenda Ave)	3,288	36,893	-	-	40,181
Honda Avenue (Traffic Way to Barrenda Ave)	3,287	37,809	-	-	41,096
2016 Pavement Resurfacing					
Arena Road (San Benito Rd to San Anselmo Rd)	-	4,163	84,297	-	88,460
Arena Road (San Anselmo Rd to Yerba Ave)	-	1,488	30,115	-	31,603
Castano Avenue (Curbaril Ave to Palomar Ave)	-	2,102	42,548	-	44,650
San Vicente Avenue (San Jacinto Ave to North end)	-	1,303	26,380	-	27,683
Yerba Avenue (Estrada Ave to Dolores Ave)	-	1,657	33,534	-	35,191
2016 Pavement Rehabilitation					
Cascabel Rd (North end to Santa Lucia Rd)	-	38,504	455,955	10,850	505,309
Los Gatos Rd (Santa Lucia Rd to San Marcos Rd)	-	33,444	396,042	9,425	438,911
San Andres Ave (Santa Lucia Rd to San Marcos Rd)	-	21,541	255,087	6,072	282,700
San Clemente Ave (Portola Rd to San Marcos East)	-	21,938	259,784	6,183	287,905
Valle Ave (Curbaril Ave to Palomar Ave)	-	17,120	202,731	4,826	224,677
2017 Pavement Resurfacing					
Colorado Ave (San Rafael Rd to San Diego Wy)	-	-	41,643	2,364	44,007
Estrada Ave (San Anselmo Rd to San Jacinto Ave)	-	-	29,361	1,667	31,028
La Linia Ave (West end to El Dorado Rd)	-	-	39,430	2,239	41,669
Navajoa Ave (Santa Ynez Ave to Curbaril Ave)	-	-	95,736	5,438	101,174
Serra Ave (Atascadero Ave to San Andres Ave)	-	-	13,100	743	13,843
Sycamore Rd (Hidalgo Ave to Miramon Ave)	-	-	11,067	628	11,695

City of Atascadero
Measure F-14 Sales Tax Projects Fund
Fiscal Years Ended June 30, 2015 through June 30, 2018

ITEM NUMBER: C-1
DATE: 01/22/19
ATTACHMENT: 1

	2015	2016	2017	2018	Total
2017 Pavement Rehabilitation					
Alcantara Ave (Marchant Ave N to Marchant Ave S)	-	-	11,061	128,405	139,466
Carmelita Road (Curbaril Ave to Portola Rd)	-	-	17,967	208,576	226,543
Carmelita Road (Portola Road to San Gabriel Rd)	-	-	31,087	360,884	391,971
Cortez Ave (Maleza Ave to Curbaril Ave)	-	-	7,777	90,281	98,058
Monterey Road (Campo Rd to San Anselmo Rd)	-	-	53,445	620,430	673,875
2018 Pavement Rehabilitation					
Capistrano (Sycamore to West Mall) <i>Resurface</i>	-	-	-	43,946	43,946
Nogales Ave (Dolores Ave to San Jacinto Ave)	-	-	-	34,972	34,972
Nogales Ave (San Jacinto Ave to Dulzura Ave)	-	-	-	5,760	5,760
Rosario Ave (Traffic Way to Alamo)	-	-	-	3,446	3,446
Rosario Ave (Alamo Ave to Gancho Ave)	-	-	-	15,107	15,107
Rosario Ave (Gancho Ave to Bajada Ave)	-	-	-	7,995	7,995
Rosario Ave (Bajada Ave to Fresno Ave)	-	-	-	13,179	13,179
Rosario Ave (Fresno Ave to Olmeda Ave)	-	-	-	8,713	8,713
Rosario Ave (Olmeda Ave to El Camino Real)	-	-	-	11,837	11,837
San Benito Road (Colima Road to Traffic Way)	-	-	-	36,686	36,686
Tunitas Ave (Bajada Ave to Traffic Way)	-	-	-	18,391	18,391
2019 Pavement Rehabilitation					
Balboa Road (San Fernando Rd to Graves Creek Rd)	-	-	-	9,723	9,723
Garcia Road (Santa Cruz Rd to San Gregorio Rd)	-	-	-	4,143	4,143
San Gregorio Road (Del Rio Rd to Garcia Rd)	-	-	-	893	893
Del Rio Road (Monterey Rd to San Gregorio Rd)	-	-	-	1,099	1,099
Monterey Road (Del Rio Rd to Campo Rd)	-	-	-	5,018	5,018
Navarette Ave (Santa Lucia Rd to San Marcos Rd)	-	-	-	4,425	4,425
Total expenditures	6,575	217,962	2,138,147	1,684,344	4,047,028

City of Atascadero
Measure F-14 Sales Tax Projects Fund
Fiscal Years Ended June 30, 2015 through June 30, 2018

	2015	2016	2017	2018	Total
Net change in fund balance	465,960	1,907,940	(12,157)	623,579	2,985,322
Fund Balance- beginning of year	-	465,960	2,373,900	2,361,743	-
Fund Balance- end of year	\$ 465,960	\$ 2,373,900	\$ 2,361,743	\$ 2,985,322	\$ 2,985,322

ITEM NUMBER: C-1
DATE: 01/22/19
ATTACHMENT: 1

Measure F-14 Sales Tax Revenue Summary

Sales Month	Check Date	Check Amount
Quarterly True-Up	9/22/2017	\$ 75,605
July 2017	9/22/2017	149,600
August 2017	10/18/2017	149,600
September 2017	11/15/2017	199,400
Quarterly True-Up	12/22/2017	74,970
October 2017	12/22/2017	152,400
November 2017	1/23/2018	152,400
December 2017	2/26/2018	203,200
Quarterly True-Up	3/23/2018	35,815
January 2018	3/23/2018	139,200
February 2018	4/23/2018	139,200
Quarterly True-Up	5/23/2018	200,986
April 2018	6/25/2018	208,996
May 2018	7/24/2018	204,674
June 2018	8/24/2018	102,500
Quarterly True-Up	8/24/2018	79,221
June 2018	Accrual	39,602
Total Revenue		\$ 2,307,369



THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK - VIEW AT AN ANGLE

STATE OF CALIFORNIA

ITEM NUMBER: 67-403492

WARRANT NUMBER: 1

ATTACHMENT: 1

THE TREASURER OF THE STATE WILL PAY OUT OF THE
IDENTIFICATION NO.

419

FUND NO.

0094

FUND NAME

RETAIL SALES TAX

MO. DAY YR.

09 22 2017

90-1342/1211

67403492

TO: 403492

--- CITY OF ATASCADERO T & U TAX
 --- ADMINISTRATIVE SERVICES DIR.
 --- 6500 PALMA AVENUE
 ATASCADERO CA 93422

DOLLARS	CENTS
\$**225204	.75

Betty T. Yee
BETTY T. YEE



CALIFORNIA STATE CONTROLLER

⑈121113423⑈ 67403492⑈

DETACH ON DOTTED LINE
 KEEP THIS PORTION FOR YOUR RECORDS

67-403492

ISSUE DATE: 09/22/2017

STATE OF CALIFORNIA - BOARD OF EQUALIZATION
 STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 09/14/2017 FOR THE PERIODS SHOWN BELOW
 PAYEE: CITY OF ATASCADERO T & U TAX
 ADMINISTRATIVE SERVICES DIR.

TOTAL DUE	2nd Qtr 17	590,064.75
PRIOR CREDITS		0.00
PRIOR ADVANCES	2nd Qtr 17	507,700.00-
COST OF ADMIN		6,760.00-

BALANCE	2nd Qtr 17	75,604.75
CURRENT ADVANCE	Jul 2017	149,600.00
TOTAL PAYMENT		225,204.75



STATE OF CALIFORNIA

WARRANT NUMBER
ITEM NUMBER 589259
DATE: 67-589259
01/22/19H THE TREASURER OF THE STATE WILL PAY OUT OF THE
IDENTIFICATION NO.

419

0860

FUND NO. FUND NAME ATTACHMENT:
0094 RETAIL SALES TAX 1MO. DAY YR.
10 18 2017

90-1342/1211

67589259

DOLLARS	CENTS
\$**149600	00

TO: 589259
 --- CITY OF ATASCADERO T & U TAX
 --- ADMINISTRATIVE SERVICES DIR.
 --- 6500 PALMA AVENUE
 --- ATASCADERO CA 93422

Betty T. Yee
 BETTY T. YEE
 CALIFORNIA STATE CONTROLLER

01211134230 675892593

DETACH ON DOTTED LINE
KEEP THIS PORTION FOR YOUR RECORDS

67-589259

ISSUE DATE: 10/18/2017

STATE OF CALIFORNIA - BOARD OF EQUALIZATION
STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 10/11/2017 FOR THE PERIODS SHOWN BELOW
 PAYEE: CITY OF ATASCADERO T & U TAX
 ADMINISTRATIVE SERVICES DIR.

CURRENT ADVANCE	Aug 2017	149,600.00
PRIOR CREDITS		0.00
TOTAL PAYMENT		149,600.00



STATE OF CALIFORNIA

ITEM NUMBER: WARRANT NUMBER
67-761938
ATTACHMENT: 1

THE TREASURER OF THE STATE WILL PAY OUT OF THE
IDENTIFICATION NO.

419

0860

FUND NO. FUND NAME
0094 RETAIL SALES TAX

MO. DAY YR.
11 15 2017

90-1342/1211
67761938

TO: 761938
--- CITY OF ATASCADERO T & U TAX
ADMINISTRATIVE SERVICES DIR.
--- 6500 PALMA AVENUE
ATASCADERO CA 93422

DOLLARS	CENTS
\$**199400	.00

Betty T. Yee
BETTY T. YEE



CALIFORNIA STATE CONTROLLER

01211134230 6776193870

DETACH ON DOTTED LINE
KEEP THIS PORTION FOR YOUR RECORDS

67-761938

ISSUE DATE: 11/15/2017

STATE OF CALIFORNIA - BOARD OF EQUALIZATION
STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 11/06/2017 FOR THE PERIODS SHOWN BELOW
PAYEE: CITY OF ATASCADERO T & U TAX
ADMINISTRATIVE SERVICES DIR.

CURRENT ADVANCE	Sep 2017	199,400.00
PRIOR CREDITS		0.00
TOTAL PAYMENT		199,400.00

**STATE OF CALIFORNIA**

ITEM NUMBER:

WARRANT NUMBER

DATE: 12/22/17

ATTACHMENT:

C-1
01/22/19
1H THE TREASURER OF THE STATE WILL PAY OUT OF THE
IDENTIFICATION NO.

419

0860

FUND NO.

0094

FUND NAME

RETAIL SALES TAX

MO. DAY YR.

12 22 2017

90-1342/1211

67985275

TO: 985275

--- CITY OF ATASCADERO T & U TAX
 --- ADMINISTRATIVE SERVICES DIR.
 --- 6500 PALMA AVENUE
 ATASCADERO CA 93422

DOLLARS	CENTS
\$**227369	.68

Betty T. Yee
 BETTY T. YEE



CALIFORNIA STATE CONTROLLER

FORM CD-85(1/99) CONTROLLERS WARRANT

11211134231 679852755

DETACH ON DOTTED LINE
KEEP THIS PORTION FOR YOUR RECORDS

67-985275

ISSUE DATE: 12/22/2017

STATE OF CALIFORNIA - BOARD OF EQUALIZATION
 STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 12/14/2017 FOR THE PERIODS SHOWN BELOW

PAYEE: CITY OF ATASCADERO T & U TAX
 ADMINISTRATIVE SERVICES DIR.

TOTAL DUE	3rd Qtr 17	580,329.68
PRIOR CREDITS		0.00
PRIOR ADVANCES	3rd Qtr 17	498,600.00-
COST OF ADMIN		6,760.00-

BALANCE	3rd Qtr 17	74,969.68
CURRENT ADVANCE	Oct 2017	152,400.00

TOTAL PAYMENT		227,369.68
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STATE OF CALIFORNIA

ITEM NUMBER:

WARRANT NUMBER

68-173138

ATTACHMENT:

1

THE TREASURER OF THE STATE WILL PAY OUT OF THE
IDENTIFICATION NO.

419

FUND NO.

0094

FUND NAME

RETAIL SALES TAX

MO. DAY YR.

01 23 2018

90-1342/1211

68173138

TO: 173138

--- CITY OF ATASCADERO T & U TAX
--- ADMINISTRATIVE SERVICES DIR.
--- 6500 PALMA AVENUE
ATASCADERO CA 93422

DOLLARS	CENTS
\$**152400	.00

Betty T. Yee
BETTY T. YEE



CALIFORNIA STATE CONTROLLER

⑆121113423⑆ 681731388⑆

DETACH ON DOTTED LINE
KEEP THIS PORTION FOR YOUR RECORDS

68-173138

ISSUE DATE: 01/23/2018

STATE OF CALIFORNIA - BOARD OF EQUALIZATION
STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 01/10/2018 FOR THE PERIODS SHOWN BELOW
PAYEE: CITY OF ATASCADERO T & U TAX
ADMINISTRATIVE SERVICES DIR.

CURRENT ADVANCE	Nov 2017	152,400.00
PRIOR CREDITS		0.00
TOTAL PAYMENT		152,400.00



THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK - VIEW AT AN ANGLE

STATE OF CALIFORNIA

ITEM NUMBER:

WARRANT NUMBER

ATTACHMENT:

H THE TREASURER OF THE STATE WILL PAY OUT OF THE
IDENTIFICATION NO.

FUND NO.
0094

FUND NAME

RETAIL SALES TAX

419

0860

MO. DAY YR.

02 26 2018

90-1342/1211

68362687

TO: 362687

--- CITY OF ATASCADERO T & U TAX
--- ADMINISTRATIVE SERVICES DIR.
--- 6500 PALMA AVENUE
--- ATASCADERO CA 93422

DOLLARS	CENTS
\$**203200.00	

Betty T. Yee
BETTY T. YEE



CALIFORNIA STATE CONTROLLER

1211134231 6836268780

DETACH ON DOTTED LINE
KEEP THIS PORTION FOR YOUR RECORDS

68-362687

ISSUE DATE: 02/26/2018

STATE OF CALIFORNIA - BOARD OF EQUALIZATION STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 02/13/2018 FOR THE PERIODS SHOWN BELOW
PAYEE: CITY OF ATASCADERO T & U TAX
ADMINISTRATIVE SERVICES DIR.

CURRENT ADVANCE	Dec 2017	203,200.00
PRIOR CREDITS		0.00
TOTAL PAYMENT		203,200.00



STATE OF CALIFORNIA

68-569186

THE TREASURER OF THE STATE WILL PAY OUT OF THE
IDENTIFICATION NO.

419

0860

FUND NO. FUND NAME
0094 RETAIL SALES TAXMO. DAY YR.
03 23 201890-1342/1211
68569186

DOLLARS	CENTS
\$**175014.65	

TO: 569186

--- CITY OF ATASCADERO T & U TAX
--- ADMINISTRATIVE SERVICES DIR.
--- 6500 PALMA AVENUE
--- ATASCADERO CA 93422

Betty T. Yee
BETTY T. YEE
CALIFORNIA STATE CONTROLLER

FORM CD-951 (09) CONTROLLERS WARRANT

1211134231 68569186500

DETACH ON DOTTED LINE
KEEP THIS PORTION FOR YOUR RECORDS

68-569186

ISSUE DATE: 03/23/2018

STATE OF CALIFORNIA - BOARD OF EQUALIZATION
STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 03/14/2018 FOR THE PERIODS SHOWN BELOW DATE: 03/14/2018		PAYEE: CITY OF ATASCADERO T & U TAX	
ADMINISTRATIVE SERVICES DIR.		ADMINISTRATIVE SERVICES DIR.	
TOTAL DUE	4th Qtr 17	550,574.65	
PRIOR CREDITS		00.00	
PRIOR ADVANCES	4th Qtr 17	508,000.00	
COST OF ADMIN		6,760.00	

BALANCE	4th Qtr 17	35,814.65	
CURRENT ADVANCE	Jan 2018	139,200.00	
TOTAL PAYMENT		175,014.65	



STATE OF CALIFORNIA 68-758886

WARRANT NUMBER: 68-758886
 REMOVAL NUMBER: 68-758886
 DATE: 01/22/19
 ATTACHMENT: 1

C-1
 01/22/19
 1

THE TREASURER OF THE STATE WILL PAY OUT OF THE
 IDENTIFICATION NO.

419

0860

FUND NO. FUND NAME
 0094 RETAIL SALES TAX

MO. DAY YR.
 04 23 2018

90-1342/1211
 68758886

TO: 758886

--- CITY OF ATASCADERO T & U TAX
 --- ADMINISTRATIVE SERVICES DIR.
 --- 6500 PALMA AVENUE
 ATASCADERO CA 93422

DOLLARS	CENTS
\$**139200.00	

Betty T. Yee
 BETTY T. YEE
 CALIFORNIA STATE CONTROLLER

001211134230 68758886700

DETACH ON DOTTED LINE
 KEEP THIS PORTION FOR YOUR RECORDS

68-758886

ISSUE DATE: 04/23/2018

STATE OF CALIFORNIA - BOARD OF EQUALIZATION
 STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 04/11/2018 FOR THE PERIODS SHOWN BELOW
 PAYEE: CITY OF ATASCADERO T & U TAX
 ADMINISTRATIVE SERVICES DIR.

CURRENT ADVANCE	Feb 2018	139,200.00
PRIOR CREDITS		0.00
TOTAL PAYMENT		139,200.00



THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK - VIEW AT AN ANGLE

STATE OF CALIFORNIA

ITEM NUMBER:

WARRANT NUMBER

68-956820

ATTACHMENT:

THE TREASURER OF THE STATE WILL PAY OUT OF THE
IDENTIFICATION NO.

FUND NO.

FUND NAME

0094

RETAIL SALES TAX

419

0860

MO. DAY YR.

05 23 2018

90-1342/1211

68956820

TO: 956820

--- CITY OF ATASCADERO T & U TAX
 --- ADMINISTRATIVE SERVICES DIR.
 --- 6500 PALMA AVENUE
 --- ATASCADERO CA 93422

DOLLARS	CENTS
\$**200986	.23

Betty T. Yee
 BETTY T. YEE



CALIFORNIA STATE CONTROLLER

11211134231 6895682011

DETACH ON DOTTED LINE
 KEEP THIS PORTION FOR YOUR RECORDS

68-956820

ISSUE DATE: 05/23/2018

STATE OF CALIFORNIA - BOARD OF EQUALIZATION
 STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 05/03/2018 FOR THE PERIODS SHOWN BELOW
 PAYEE: CITY OF ATASCADERO T & U TAX
 ADMINISTRATIVE SERVICES DIR.

TOTAL DUE	1st Qtr 18	485,046.23
PRIOR CREDITS		0.00
PRIOR ADVANCES	1st Qtr 18	278,400.00-
COST OF ADMIN		5,660.00-

BALANCE	1st Qtr 18	200,986.23
CURRENT ADVANCE	Apr 2018	0.00
TOTAL PAYMENT		200,986.23



THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK

STATE OF CALIFORNIA

ITEM NUMBER:

WARRANT NUMBER

69-185100

ATTACHMENT:

THE TREASURER OF THE STATE WILL PAY OUT OF THE
IDENTIFICATION NO.

FUND NO.

FUND NAME

0094 RETAIL SALES TAX

419

0860

MO. DAY YR.

06 25 2018

90-1342/1211

69185100

TO: 185100

--- CITY OF ATASCADERO T & U TAX
--- ADMINISTRATIVE SERVICES DIR.
--- 6500 PALMA AVENUE
ATASCADERO CA 93422

DOLLARS	CENTS
\$**208995	.64

Betty T. Yee
BETTY T. YEE



CALIFORNIA STATE CONTROLLER

11211134231 691851006

DETACH ON DOTTED LINE
KEEP THIS PORTION FOR YOUR RECORDS

69-185100

ISSUE DATE: 06/25/2018

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 6/19/2018 FOR THE PERIODS SHOWN BELOW

PAYEE: CITY OF ATASCADERO T & U TAX
ADMINISTRATIVE SERVICES DIR.

CURRENT ADVANCE APR 2018 208,995.64

PRIOR CREDITS 0.00

TOTAL PAYMENT 208,995.64

IF YOU HAVE ANY QUESTION PLEASE CONTACT CDTFA

LOCAL REVENUE BRANCH AT (916) 324-3000



THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK VIEW OF ITEM NUMBER 69-355781-1
STATE OF CALIFORNIA DATE: 07/22/19
 ATTACHMENT: 1

H THE TREASURER OF THE STATE WILL PAY OUT OF THE
 IDENTIFICATION NO.

419

7600

FUND NO. FUND NAME
 0094 RETAIL SALES TAX

MO. DAY YR.
 07 24 2018

90-1342/1211

69355781

TO: 355781

--- CITY OF ATASCADERO T & U TAX
 --- ADMINISTRATIVE SERVICES DIR.
 --- 6500 PALMA AVENUE
 ATASCADERO CA 93422

DOLLARS	CENTS
\$**204674.	15

Betty T. Yee
BETTY T. YEE
 CALIFORNIA STATE CONTROLLER

FORM CD-85(1/99) CONTROLLERS WARRANT

01211134230 6935578110

DETACH ON DOTTED LINE
 KEEP THIS PORTION FOR YOUR RECORDS

69-355781

ISSUE DATE: 07/24/2018

**CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION
 STATEMENT OF ADD-ON TAX DISTRIBUTION**

419 DATE: 7/18/2018 FOR THE PERIODS SHOWN BELOW
 PAYEE: CITY OF ATASCADERO T & U TAX
 ADMINISTRATIVE SERVICES DIR.

CURRENT ADVANCE	MAY 2018	204,674.15
PRIOR CREDITS		0.00
TOTAL PAYMENT		204,674.15

IF YOU HAVE ANY QUESTION PLEASE CONTACT CDTFA
 LOCAL REVENUE BRANCH AT (916) 324-3000



THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK - VIEW AT AN ANGLE

STATE OF CALIFORNIA

ITEM NUMBER:

C-1
01/22/19
1

REPLACEMENT WARRANT NUMBER
DATE
69-544368

THE TREASURER OF THE STATE WILL PAY OUT OF THE
IDENTIFICATION NO.

FUND NO. FUND NAME
0094 RETAIL SALES TAX

419

7600

MO. DAY YR.
08 24 2018

90-1342/1211

J- 415183

TO: 544368
CITY OF ATASCADERO T & U TAX
ADMINISTRATIVE SERVICES DIR.
6500 PALMA AVENUE
ATASCADERO CA 93422

DOLLARS	CENTS
181722	40

Betty T. Yee
BETTY T. YEE

CALIFORNIA STATE CONTROLLER

FORM CD85 (12/01) CONTROLLERS WARRANT

11211134231 695443689

ISSUE DATE: 08/24/2018

DETACH AT DOTTED LINE
KEEP THIS PORTION FOR YOUR RECORDS

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION STATEMENT OF ADD-ON TAX DISTRIBUTION

419 DATE: 8/20/2018 FOR THE PERIODS SHOWN BELOW
PAYEE: CITY OF ATASCADERO T & U TAX
ADMINISTRATIVE SERVICES DIR.

TOTAL DUE	2ND QTR 18	499,192.19
PRIOR CREDITS		0.00
PRIOR ADVANCES	2ND QTR 18	413,669.79-
COST OF ADMIN		6,300.00-

BALANCE	2ND QTR 18	79,222.40
CURRENT ADVANCE	JUN 2018	102,500.00
TOTAL PAYMENT		181,722.40

IF YOU HAVE ANY QUESTION PLEASE CONTACT CDTFA
LOCAL REVENUE BRANCH AT (916) 324-3000

Atascadero Roads

The City of Atascadero owns and maintains approximately 140 centerline miles of public roadways. This extensive system is the backbone of housing, commerce and recreation within the community and its repair and maintenance is a top priority.

In order to compare all roads within a system, each roadway is inspected and a Pavement Condition Index (PCI) number is assigned.

Atascadero's Road Conditions (2014)

Condition	PCI Range	% Of City Roads
Excellent	90-100	8%
Good	70-89	9%
Fair	50-69	28%
Poor	25-49	39%
Failed	0-25	16%

The overall PCI rating of Atascadero's roadway system is poor; only 47 on a 100 point scale. With a current asset value of \$263 million, developing a pavement management strategy to provide the lowest life cycle cost over time and save the City funds in the long run was vital.

In order to accomplish this, the City has implemented a "Critical Point Management" methodology. This methodology selects roadways which can have their useful life extended the longest with cost effective maintenance and less expensive repairs. The longer a road can be kept in good condition, the lower the overall cost of its treatments.

In many ways the Critical Point Management method is similar to how you would maintain your car. By focusing on relatively inexpensive routine maintenance and repairs at key times, you can avoid expensive repair bills and breakdowns in the future. When pavement conditions deteriorate, the cost to fix roadways increases substantially. Replacement of a failed street can cost 30-40 times the amount required to maintain a road in good condition!

Presorted Standard
U.S. POSTAGE
PAID
Atascadero, CA
Permit No. 79
ECRWSS

POSTAL CUSTOMER

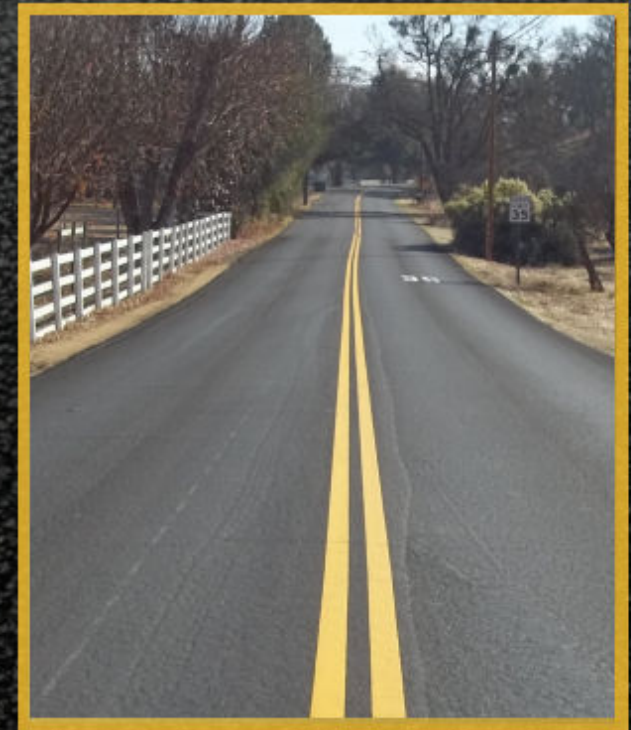
City of Atascadero
6500 Palma Avenue
Atascadero CA 93422



ITEM NUMBER: C-1
DATE: 01/22/19
ATTACHMENT: 2

City of Atascadero

Measure F-14 Funds



2018 Community Road Report

Approved January 2019

What To Expect In 2019

In addition to completing construction for the 2018 Pavement Resurfacing and Rehabilitation Projects (See Financial Statement), 2019 will

predominately involve rehabilitation work on road segments located in the west area of the City. The following road segments will be constructed as a single project and totals 3.28 miles.

2019 Rehabilitation Project \$2,202,000

Balboa Rd.

Between San Fernando Rd. and Graves Creek Rd.

Del Rio Rd.

Between Monterey Rd. and San Gregorio Rd.

Garcia Rd.

Between San Gregorio Rd. and Santa Cruz Rd.

Monterey Rd.

Between Del Rio Rd. and Campo Rd.

Navarette Ave.

Between Santa Lucia Rd. and San Marcos Rd.

San Gregorio Rd.

Between Del Rio Rd. and Garcia Rd.

MEASURE F-14 BACKGROUND

In 2014, Atascadero voters approved a ballot measure (F-14) which authorized the City to increase its sales tax rate by a ½ percent for a term of 12 years, together with a measure (E-14) advising that the funds be primarily utilized for maintaining and repairing neighborhood roads. While the City will continue to maintain and improve arterial roadways, funds approved under Measure F-14 are specifically earmarked for the improvements of neighborhood roads.

The measures became effective April 1, 2015, and includes a nine member Citizen Oversight Committee tasked with reviewing revenues, expenditures, and the annual road report. Optimizing the use of the funds is a priority of the City.

For more information visit:
www.atascadero.org/measure-f14

FINANCIAL STATEMENT AND PROJECT SUMMARY

REVENUES

	Prior Years 2015-2016	2017	2018	Totals as of June 30, 2018	Length (miles)	PCI Before	PCI After
Sales tax	\$ 2,567,394	\$ 2,119,420	\$ 2,307,369	\$ 6,994,183			
Use of money and property	31,043	6,570	554	38,167			
Total revenues	2,598,437	2,125,990	2,307,923	7,032,350			

EXPENDITURES

Prior Years Completed Projects - 2.10 miles	91,990	216,874	-	308,864	2.10	varies	varies
2016 Pavement Resurfacing - 2.43 miles							
Cascabel Rd (North end to Santa Lucia Rd)	38,504	455,955	10,850	505,309	0.68	28	100
Los Gatos Rd (Santa Lucia Rd to San Marcos Rd)	33,444	396,042	9,425	438,911	0.48	24	100
San Andres Ave (Santa Lucia Rd to San Marcos Rd)	21,541	255,087	6,072	282,700	0.63	51	100
San Clemente Ave (Portola Rd to San Marcos East)	21,938	259,784	6,183	287,905	0.41	32	100
Valle Ave (Curbaril Ave to Palomar Ave)	17,120	202,731	4,826	224,677	0.23	41	100

2017 Pavement Resurfacing - 2.35 miles

Colorado Ave (San Rafael Rd to San Diego Wy)	-	41,643	2,364	44,007	0.50	89	99
Estrada Ave (San Anselmo Rd to San Jacinto Ave)	-	29,361	1,667	31,028	0.37	76	91
La Linia Ave (West end to El Dorado Rd)	-	39,430	2,239	41,669	0.40	69-81	89-96
Navajoa Ave (Santa Ynez Ave to Curbaril Ave)	-	95,736	5,438	101,174	0.78	55-67	75-87
Serra Ave (Atascadero Ave to San Andres Ave)	-	13,100	743	13,843	0.16	71	91

2017 Pavement Rehabilitation - 2.31 miles

Alcantara Ave (Marchant Ave N to Marchant Ave S)	-	11,061	128,405	139,466	0.21	31	100
Carmelita Road (Curbaril Ave to Portola Rd)	-	17,967	208,576	226,543	0.31	29	100
Carmelita Road (Portola Road to San Gabriel Rd)	-	31,087	360,884	391,971	0.50	26	100
Cortez Ave (Maleza Ave to Curbaril Ave)	-	7,777	90,281	98,058	0.14	31	100
Monterey Road (Campo Rd to San Anselmo Rd)	-	53,445	620,430	673,875	1.14	42	100

2018 Pavement Rehabilitation* - 3.40 miles

Capistrano (Sycamore to West Mall) Resurface	-	-	43,946	43,946	0.58	65	100
Negales Ave (Dolores Ave to Dulzura Ave)	-	-	40,732	40,732	0.78	29	100
Rosario Ave (Traffic Way to El Camino Real)	-	-	60,277	60,277	1.09	32-43	100
San Benito Road (Colima Road to Traffic Way)	-	-	36,686	36,686	0.60	50	100
Tunitas Ave (Bajada Ave to Traffic Way)	-	-	18,391	18,391	0.36	41	100

2019 Pavement Rehabilitation** - 3.28 miles

Balboa Road (San Fernando Rd to Graves Creek Rd)	-	-	9,723	9,723	1.31	31	TBD
Garcia Road (Santa Cruz Rd to San Gregorio Rd)	-	-	4,143	4,143	0.51	56	TBD
San Gregorio Road (Del Rio Rd to Garcia Rd)	-	-	893	893	0.11	54	TBD
Del Rio Road (Monterey Rd to San Gregorio Rd)	-	-	1,099	1,099	0.14	55	TBD
Monterey Road (Del Rio Rd to Campo Rd)	-	-	5,018	5,018	0.59	53	TBD
Navarette Ave (Santa Lucia Rd to San Marcos Rd)	-	-	4,425	4,425	0.62	27	TBD

Total expenditures	224,537	2,138,147	1,684,344	4,047,028	15.87	total miles	
Net change in fund balance	2,373,900	(12,157)	623,579	2,985,322			
Fund Balance- beginning of year	-	2,373,900	2,361,743	-			
Fund Balance- end of year	\$ 2,373,900	\$ 2,361,743	\$ 2,985,322	\$ 2,985,322			

* Construction not complete prior to end of fiscal year - remaining estimated expenditures:.....\$ 1,675,968

**Construction not complete prior to end of fiscal year - remaining estimated expenditures:.....\$ 2,176,699



Atascadero City Council

Staff Report – Administrative Services Department

Fiscal Year 2017-2018 Audit

RECOMMENDATION:

Council review and accept the financial audit for the period ended June 30, 2018.

DISCUSSION:

The audit firm of Moss, Levy, and Hartzheim has performed a full audit of the financial statements and found that the City presented fairly and accurately the City's financial position, and further, that the reporting was in conformity with generally accepted accounting principles.

The City performed well overall during the fiscal year 2017-2018. The Council's continued focus on economic development, the forward movement of the economy and ongoing fiscal stewardship by the Council and Staff are the primary reasons for the positive results.

Compared to the most recent Seven-Year Projection that was adopted in June 2017 as part of the 2017-2019 Budget, the City's General Fund finished the year well over expectations, due in part to some one-time events. A few of the major revenue sources were up slightly, and others were down slightly. Employee services and operating costs were right on projections. Overall, the City is above target with the June 2017 Seven-Year Projection.

General Fund Activity, Excluding Measure F-14 Activity

General Fund revenues were just under \$21.8 million for the fiscal year. General Fund expenditures were about \$20.9 million during the year. The net change in fund balance for the General Fund was an increase of about \$867,000. The June 2017 Seven-Year Projection estimated a net loss of \$367,600. This is a positive difference between actual and projections of about \$1,234,700. Again, these figures exclude Measure F-14 Activity.

General Fund Activity - Measure F-14 Activity

Measure F-14 Sales Tax activity is included in the General Fund for legal and accounting reasons, but it broken out in this discussion for more transparency. Measure F-14 revenue was about \$2.3 million for the fiscal year. Expenditures were about \$1.7 million. The net change in fund balance was about \$624,000.

All General Fund activity (Measure F-14 and non-Measure F-14) combined to increase the General Fund by about \$1.5 million during the year. The General Fund balance at the end of the year, including the Measure F-14 funds, was \$12,883,296.

General Fund activity for fiscal year 2017-2018 is summarized in the following chart:

	<i>Measure F-14</i>	<i>Non-Measure F-14</i>	<i>Total General Fund</i>
Revenues	\$ 2,307,923	\$ 21,788,782	\$ 24,096,705
Expenditures	1,684,344	20,921,660	22,606,004
Net changes in Fund balance	623,579	867,122	1,490,701
Beginning Fund Balance	2,361,743	9,030,852	11,392,595
Ending Fund Balance	<u>\$ 2,985,322</u>	<u>\$ 9,897,974</u>	<u>\$ 12,883,296</u>

Council's long-term Financial Strategy, as further detailed in the City's June 2017 Seven Year Projection, is to supplement annual revenues with General Fund reserves during the lean years in order to continue to fund City operations at a steady level. As projected, revenues are beginning to trend upwards once again, reducing, but not eliminating, the reliance on General Fund reserves. Fiscal year 2017-2018 results were beneficial to the General Fund balance.

To get a better sense of the trending, the Comparative Income Statement on the next page compares revenues and expenditures for the 2016-2017 and 2017-2018 fiscal years. Not all differences indicate a trend, but it is helpful to view the larger picture in perspective. This Statement does not include the Measure F-14 Activity.

GENERAL FUND COMPARATIVE INCOME STATEMENT
Excluding Measure F-14 Activity

	2016/2017 Actuals	2017/2018 Actuals	% Change	\$ Change
REVENUES:				
Property Tax	\$ 8,927,672	\$ 9,389,202	5.2%	\$ 461,530
Redevelopment- Asset Sale Distribution	-	409,960	n/a	409,960
Sales tax	3,620,027	4,058,583	12.1%	438,556
Transient Occupancy Tax	1,337,528	1,376,498	2.9%	38,970
Other Taxes	1,487,696	1,468,419	-1.3%	(19,277)
Intergovernmental	139,698	184,415	32.0%	44,717
Grants	13,455	272,265	1923.5%	258,810
Service Charges				
Mutual Aid	473,670	643,165	35.8%	169,495
Public safety	187,713	189,750	1.1%	2,037
Development	1,271,174	1,007,512	-20.7%	(263,662)
Recreation, zoo, parks & pavilion	898,973	932,594	3.7%	33,621
Interest	70,811	94,760	33.8%	23,949
Adjustment to Market Value-GASB 31	(67,580)	(85,019)	25.8%	(17,439)
Interfund charges	936,813	958,204	2.3%	21,391
Other	674,246	348,224	-48.4%	(326,022)
Transfers	494,190	540,250	9.3%	46,060
Total revenues	\$ 20,466,086	\$ 21,788,782	6.5%	\$ 1,322,696
EXPENDITURES:				
Employee services	\$ (14,213,908)	\$ (14,882,845)	4.7%	\$ (668,937)
Operating supplies & services	(4,897,676)	(5,385,230)	10.0%	(487,554)
Special purchases	(1,351,509)	(338,333)	-75.0%	1,013,176
Capital outlay	(236,948)	(315,252)	33.0%	(78,304)
Total expenses	(20,700,041)	(20,921,660)	1.1%	\$ (221,619)
Net Income	(233,955)	867,122		
Fund Balance Beginning of year	9,264,807	9,030,852		
FUND BALANCE END OF YEAR	\$ 9,030,852	\$ 9,897,974		

Revenues

The most significant dollar amount deviations from the prior year on the revenue side are changes in Property Tax Revenue, Sales Tax Revenue, Grants, Mutual Aid activity, Development, and Other Revenues.

Property Tax Revenue

During the economic downturn, Property Tax Revenue hit the lowest level during fiscal year 2011-2012. Since that time, assessed valuation has been slowly increasing. Revenue increased less than one percent from fiscal year 2011-2012 to 2012-2013. These revenues grew additional momentum of 5.2% from 2016-2017 fiscal year to the 2017-2018 fiscal year. The increase is due to a combination of the upswing in the

economy, reclaimed value on the Proposition 8 assessed valuation write-downs during the downturn, and increased economic development activity. Assessed valuations are expected to continue a slow and steady growth trend for the next few years.

The City also received \$409,960 during the fiscal year in one-time Redevelopment Agency Dissolution revenues from the sale of the Creekside building. This building was an asset of the former Redevelopment Agency. When it was sold, the proceeds were divided up among the relevant taxing entities. As one of the taxing entities, City received one-time revenue of \$409,960 (of the \$2.2 million of the sales price.)

Detailed, comparative Property Tax Revenue information for the most recently completed two fiscal years is found below:

GENERAL FUND PROPERTY TAX REVENUE COMPARISON

	2016/2017 Actuals	2017/2018 Actuals	% Change	\$ Change
Secured Property Tax	\$ 5,712,108	\$ 6,004,868	5.1%	\$ 292,760
Property tax in lieu of VLF	2,596,002	2,738,603	5.5%	142,601
Unsecured property tax	147,249	149,214	1.3%	1,965
Supplemental property tax	193,007	155,327	-19.5%	(37,680)
Redevelopment agency distribution	283,066	349,216	23.4%	66,150
Redevelopment agency distribution - Asset Sale	-	409,960	n/a	409,960
Prior year secured and unsecured	(3,484)	(6,978)	100.3%	(3,494)
Property tax penalties and interest	(276)	(1,048)	279.7%	(772)
Total revenues	<u>\$ 8,927,672</u>	<u>\$ 9,799,162</u>	<u>9.8%</u>	<u>\$ 871,490</u>

Sales Tax Revenue

As indicated above, Sales Tax Measure F-14 activity must be included in the General Fund for financial reporting purposes. The Sales Tax Measure F-14 revenue is not included in the following discussion of Sales Tax Revenue.

The City's Bradley-Burns sales tax revenue is up 12% (about \$438,000) over fiscal year 2016-2017. Economic recovery, continued strengthening of existing retail outlets, and the establishment of new retail outlets through the City's economic development focus are all positive factors that will continue to cultivate and will reflect more and more favorably on Sales Tax Revenue in the long-term.

Grants

Grant funding varies greatly from year to year based on the needs of the City and the availability and award of grant funding. The Police department was able to secure almost \$218,000 in funds to replace the Emergency 9-1-1 Response System in the Dispatch Center. These funds made significant improvements to the technology, further enhancing emergency response. The City also received grant funding for fire fuels management, traffic and DUI enforcement activities, FEMA and CalEMA emergency funding reimbursements, and funds for the El Camino Corridor Study.

Mutual Aid

Revenue from Mutual Aid activity was up about \$169,000 from the prior year, with a corresponding increase in expenditures. Mutual Aid activity fluctuates based on the fire response needs during the year. Fiscal year 2017-2018 unfortunately had significant need for increased activity.

Development

Development-related revenues were down about \$264,000 when compared to the prior year. While this decrease might suggest a slowing, in reality it is more of a delay. Some of the larger projects in development took longer than anticipated to move forward for one reason or another, and development continues to be strong in the City. There are currently 692 residential units with existing planning entitlement, 89 residential units undergoing entitlement, and 2 residential care facilities with existing entitlement with a total of 59 beds. Upcoming commercial development includes the Home2Suites Hotel, La Plaza, the Bridgewalk Hotel, Del Rio area development, the commercial pad at Dove Creek, and many others.

Other Revenue

The category of Other Revenue includes a number of revenue sources such as donations and administrative charges. Other Revenue for fiscal year 2017-2018 was about \$326,000 less than fiscal year 2016-2017, primarily due to some generous one-time donations that occurred in fiscal year 2016-2017 and a reduction of about \$120,000 in administration charges to administer the Successor Agency.

Expenditures

Employee Services

Employee Services actual costs for 2017-2018 were about 4.7% higher than in the prior year and right on target with the June 2017 Seven-Year Projection. This is especially relevant given the fact that Employee Services are the largest portion of General Fund Expenditures. Costs will continue to increase in the future due to changes in the calculation of CalPERS Retirement Costs, both the normal rate and the Unfunded Accrued Liability, and rising health care costs.

Operating Supplies and Services

When compared to the prior year, 2017-2018 expenditures were about \$487,000 higher. Actual results for 2017-2018 were slightly under the June 2017 Seven-Year Forecast amounts. The underlying trend is an increase in operating costs to reflect both the increasing prices due to inflation and the unsustainably low operating budgets that have been part of the overall Financial Strategy.

Special Purchases and Capital Outlay

Special Purchases and Capital Outlay generally do not lend themselves to a predictable trend line. These are usually one-time purchases and/or they have a corresponding revenue source. Both categories vary from year to year, based on the City's needs at the time. In most cases, when the expenses come in under budget, this means the budgeted item hasn't been purchased yet but will still need to be purchased in the future. Less frequently, an alternative to purchasing the items has been identified.

In Special Purchases during fiscal year 2016-2017, there was a City Council authorized transfer of \$1,000,000 from the General Fund to the Building Maintenance and Replacement Fund to go toward building replacement reserves. There is no similar transfer in fiscal year 2017-2018.

General Fund Balance

As discussed above, the General Fund balance (excluding Measure F-14 Activity) at June 30, 2018, was about \$9.9 million, or 47% of General Fund expenditures for the year. This continues to be in line with Council's long-range financial strategy, maintaining a healthy reserve. The General Fund June 2017 Seven-Year Projection estimates the continued use of General Fund reserves through fiscal year 2022-2023. At no time are reserves expected to drop below the Council Policy minimum of 20% of general fund expenditures.

AUDIT REPORT

The audit report summarizes the City's financial performance for the fiscal year and provides an overview of financial activities. It is a useful big-picture tool to manage long-term fiscal health of the City. The Management Discussion and Analysis reviews the financial highlights, gives an overview of the financial statements, and provides a financial analysis of the City's funds. Following that, summarized information on all of the City's funds can be found. The Notes to the Financial Statements include additional details and explanations of the figures in the Statements, giving the reader a better understanding of the complete fiscal performance of the City. The last section of the report includes detailed information on the balance of each of the funds and their activity.

The report was audited by a local independent audit firm, Moss, Levy, and Hartzheim, and as seen on the Independent Auditor's Report on page 1, was found to be in conformity with generally accepted accounting principles.

FISCAL IMPACT:

None.

ATTACHMENTS:

1. Fiscal Year 2017-2018 Audited City Financial Statements
2. Independent Auditors' Report on Internal Control

CITY OF ATASCADERO

FINANCIAL STATEMENTS

June 30, 2018

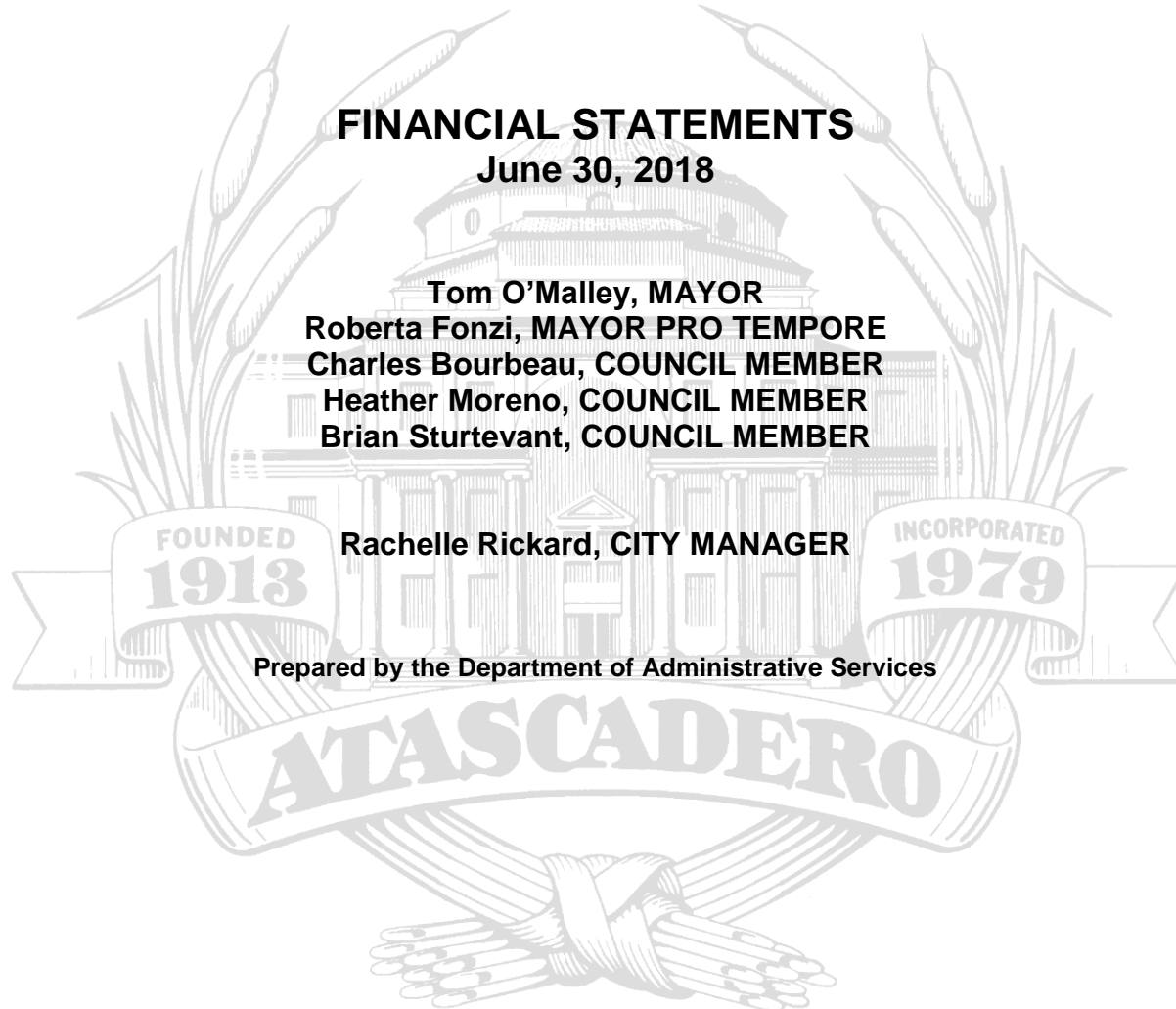
FINANCIAL STATEMENTS

June 30, 2018

Tom O'Malley, MAYOR
Roberta Fonzi, MAYOR PRO TEMPORE
Charles Bourbeau, COUNCIL MEMBER
Heather Moreno, COUNCIL MEMBER
Brian Sturtevant, COUNCIL MEMBER

Rachelle Rickard, CITY MANAGER

Prepared by the Department of Administrative Services



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INDEPENDENT AUDITORS' REPORT

City Council of the City of Atascadero
Atascadero, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Atascadero (the City), as of and for the fiscal 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Atascadero, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 through 12, the budgetary comparison

information on pages 74 through 95, the schedule of changes in the total OPEB liability and related ratios on page 96, the schedule of OPEB contributions on page 97, the schedule of proportionate share of net pension liability on page 98, and the schedule of pension contributions on page 99, 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 inquires 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 of Atascadero's basic financial statements. The major debt service fund budgetary schedule, combining and individual non-major fund financial statements and schedules, and combining internal service funds financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The major debt service fund budgetary schedule, combining and individual non-major fund financial statements and schedules, and combining internal service funds financial statements, are the responsibility of management and were derived from and relate 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 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 major debt service fund budgetary schedule, combining and individual non-major fund financial statements and schedules, and combining internal service funds financial statements, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2019, on our consideration of the City of Atascadero'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.

Moss, Remy & Hartgrain LLP

Santa Maria, California
January 7, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

INTRODUCTION

This discussion and analysis of the City of Atascadero's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. For the most complete picture of the City, please read this document in conjunction with the City's basic financial statements and the accompanying notes to the basic financial statements. The City's financial statements are available at City Hall offices.

FINANCIAL HIGHLIGHTS

- City total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of June 30, 2018, by about \$177.9 million. Of this amount, \$130.2 million is net investment in capital assets, \$36.7 million is restricted for various purposes, and \$11 million is unrestricted.
- Capital projects expenditures were more than the amount spent in the prior fiscal year by about \$900,000 due primarily to the construction of the Centennial Bridge and Plaza Project during the current fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$49 million, an increase of about \$413,000 from the prior fiscal year. Approximately \$38.2 million of the total is not available for more spending because it represents amounts that are already obligated or restricted, including \$16.6 million in advances receivables from the Successor Agency and \$5.6 million in notes receivable for affordable housing. About \$10.6 million of the ending fund balance is available for future obligations.
- The City's compensated absences due to employees increased by about \$89,000, and the City's debt increased by about \$3.1 million. This increase was primarily due to the City's change in CalPERS Net Pension Liability. For additional information, see Note 9 in the Notes to the Financial Statements.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,402,478 or 51% of total general fund expenditures, \$2,985,322 of which is related to the Sales Tax Measure F-14 funding.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include the activities of the City of Atascadero using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements

The Government-Wide Financial Statements present a broad overview of the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regard to interfund activity, payables and receivables.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the City of Atascadero is improving or declining.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or are required by grantor agencies to be accounted for in this fashion (*business-type activities*).

The governmental activities include police, fire, parks, recreation, community development, public works, and general government activities. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities. The business-type activities include wastewater and transit.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government). The City previously had a component unit (the Community Redevelopment Agency of Atascadero) through January 31, 2012, for which the government was considered to be financially accountable. Effective February 1, 2012, Assembly Bill AB 1x26, as modified by the California Supreme Court, dissolved redevelopment agencies in California. All assets and liabilities were required to be transferred to the corresponding Successor Agency identified in each community. In Atascadero, the City became the Successor Agency and holds these assets and liabilities in Private Purpose Trust. See Note 15 in the Notes to the Financial Statements for further details on the Successor Agency. The City has no component units that require discrete presentation in accordance with GASB Statement No. 14, as amended by GASB Statements No. 39, No. 61, and No. 80.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Atascadero, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City are divided into two categories of activities – governmental and proprietary.

OVERVIEW OF THE FINANCIAL STATEMENTS *(continued)*

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Fund Financial Statements 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 facilitate this comparison between governmental funds and governmental activities.

The City maintains multiple individual governmental funds. Information for the General Fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The General Fund, the In Lieu Low/Moderate Income Housing Fund, the Circulation System Fees Fund, the Fire Aerial Vehicle Impact Fees Fund, and the 2010 Bond Debt Service Fund are considered to be the major governmental funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data, including budgetary information, for each of these nonmajor governmental funds is provided in the combining financial statements under the supplementary information section.

A budget comparison statement has been provided to demonstrate compliance with the budget. Budgetary information for the major governmental funds has been provided under the required supplementary information section.

Proprietary Funds

Proprietary Funds provide the same type of information as the business-type activities in the government-wide financial statements, except that the Proprietary Funds provide greater detail. The City maintains two types of Proprietary Funds: Enterprise Funds and Internal Service Funds. The City's Enterprise Funds are the same as the business-type activities reported in the Government-wide Financial Statements: Transit and Wastewater. The City uses Internal Service Funds to report activities that provide supplies and services for the City's other programs and activities. The City's Internal Services Funds include the Technology Fund, the Building Maintenance and Replacement Fund, and the Vehicle and Equipment Replacement Fund. The Internal Service Funds are combined into one column within the Proprietary Funds statements and are combined with governmental activities in the Government-wide Financial Statements.

Notes to the Basic 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Atascadero, assets exceeded liabilities by about \$177.9 million at the close of the most recent fiscal year.

	2017-2018 Governmental Activities	2017-2018 Business-Type Activities	2017-2018 Total	2016-2017 Governmental Activities	2016-2017 Business-Type Activities	2016-2017 Total
Current and other assets	\$ 59,769,390	\$ 10,777,414	\$ 70,546,804	\$ 59,979,533	\$ 10,693,780	\$ 70,673,313
Capital assets	131,674,781	14,870,726	146,545,507	129,146,060	15,247,271	144,393,331
Total assets	191,444,171	25,648,140	217,092,311	189,125,593	25,941,051	215,066,644
Deferred outflows	8,207,574	172,573	8,380,147	7,600,976	163,195	7,764,171
Total deferred outflows	8,207,574	172,573	8,380,147	7,600,976	163,195	7,764,171
Current liabilities	3,267,927	231,310	3,499,237	3,752,417	360,297	4,112,714
Noncurrent liabilities	42,905,385	761,799	43,667,184	39,886,263	633,743	40,520,006
Total liabilities	46,173,312	993,109	47,166,421	43,638,680	994,040	44,632,720
Deferred inflows	410,981	30,298	441,279	957,647	51,412	1,009,059
Total deferred inflows	410,981	30,298	441,279	957,647	51,412	1,009,059
Net position:						
Net investment in capital assets	115,376,960	14,870,726	130,247,686	114,912,430	15,247,271	130,159,701
Restricted	36,675,861	-	36,675,861	37,662,122	-	37,662,122
Unrestricted	1,014,631	9,926,580	10,941,211	(444,310)	9,811,523	9,367,213
Total net position	\$ 153,067,452	\$ 24,797,306	\$ 177,864,758	\$ 152,130,242	\$ 25,058,794	\$ 177,189,036

The largest portion of the City's net position (73%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional 21% of the City's net position represents resources subject to external restrictions on how they may be used. The remaining 6% (\$10,941,211) is considered unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. There was an increase of \$1,573,998 in unrestricted net position from fiscal year 2016-2017 to 2017-2018.

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(continued)*

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

During the current fiscal year, the City's net position increased by about \$676,000. Information about changes in net position is summarized below:

SUMMARY OF CHANGES IN NET POSITION For the Fiscal Years Ended June 30, 2018 and 2017

	2017-2018 Governmental Activities	2017-2018 Business-Type Activities	2017-2018 Total	2016-2017 Governmental Activities	2016-2017 Business-Type Activities	2016-2017 Total
Revenues:						
Program Revenues						
Charges for services	\$ 3,058,946	2,062,370	\$ 5,121,316	\$ 3,228,842	\$ 2,165,440	\$ 5,394,282
Operating grants and contributions	1,822,702	372,210	2,194,912	1,500,299	352,750	1,853,049
Capital grants and contributions	2,420,024	234,593	2,654,617	2,241,202	-	2,241,202
General Revenues:						
Secured and unsecured property taxes	10,629,042	-	10,629,042	9,684,656	-	9,684,656
Sales and use taxes	6,365,952	-	6,365,952	5,739,447	-	5,739,447
Other taxes	3,165,407	-	3,165,407	3,138,020	-	3,138,020
Motor vehicle in lieu	16,265	-	16,265	13,833	-	13,833
Investment Income	816,971	30,924	847,895	684,068	5,568	689,636
Gain on disposal of capital assets	-	4,430	4,430	-	-	-
Total Revenues	<u>28,295,309</u>	<u>2,704,527</u>	<u>30,999,836</u>	<u>26,230,367</u>	<u>2,523,758</u>	<u>28,754,125</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(continued)*

SUMMARY OF CHANGES IN NET POSITION For the Fiscal Years Ended June 30, 2018 and 2017

	2017-2018 Governmental Activities	2017-2018 Business-Type Activities	2017-2018 Total	2016-2017 Governmental Activities	2016-2017 Business-Type Activities	2016-2017 Total
Program Expenses						
General Government	\$ 3,684,248	\$ -	\$ 3,684,248	\$ 2,959,691	\$ -	\$ 2,959,691
Public Safety	13,286,548	-	13,286,548	11,365,013	-	11,365,013
Community Development	2,279,614	-	2,279,614	2,201,570	-	2,201,570
Community, Recreation & Zoo Services	2,586,544	-	2,586,544	2,271,284	-	2,271,284
Parks & Open Space	1,144,368	-	1,144,368	716,736	-	716,736
Public Works	3,641,962	-	3,641,962	3,206,609	-	3,206,609
Sewer	-	2,471,411	2,471,411	-	2,414,933	2,414,933
Transit	-	494,604	494,604	-	475,134	475,134
Interest on long-term debt	734,815	-	734,815	742,667	-	742,667
Total Expenses	27,358,099	2,966,015	30,324,114	23,463,570	2,890,067	26,353,637
Change in net position	937,210	(261,488)	675,722	2,766,797	(366,309)	2,400,488
Net position- beginning	152,130,242	25,058,794	177,189,036	149,363,445	25,425,103	174,788,548
Net position- ending	\$ 153,067,452	\$ 24,797,306	\$ 177,864,758	\$ 152,130,242	\$ 25,058,794	\$ 177,189,036

Governmental activities during the year increased the City's net position by \$937,210. Business-type activities decreased the City's net position by \$261,488.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Atascadero uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$48,987,606. Approximately 3% (\$1,481,548) of this total amount cannot be spent because it is in a non-spendable form and/or a non-cash form such as prepaid items, long-term notes receivable, and long-term advances receivable. The City's governmental funds Unassigned Fund Balance is \$10,615,517. The General Fund portion of this, \$11,402,478, is available for any purpose. The remaining Unassigned Fund Balance is the amount of the Fire Aerial Vehicle Impact Fees Fund where expenditures were made prior to receipt of restricted revenues. The Restricted Fund Balance of \$36,675,131 includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The Assigned fund balance, \$215,410, is the amount the City intends to use for road projects.

General Fund – The General Fund is the chief operating fund of the City. At June 30, 2018, the total fund balance was \$12,883,296 and the spendable unassigned fund balance was 89% of the total. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total General Fund balance represents 58% of fund expenditures. The General Fund balance increased \$1,490,701 during the fiscal year.

In Lieu Low/Moderate Income Housing Fund – This fund accounts for fees that are paid by developers in lieu of building inclusionary (affordable) housing. These fees are expended on programs that provide and/or promote affordable housing within the City. At June 30, 2018, the fund balance was \$5,644,728.

Circulation System Fees Fund – This fund accounts for fees that are paid by developers to fund the creation of more lane miles or more efficient lane miles with which to accommodate the additional trips created by new development. These fees are expended for the construction of new/increased/improved roadway and bridge facilities. The fund balance at June 30, 2018, was \$2,553,666, up \$481,448 from the prior year.

Fire Aerial Vehicle Impact Fees Fund – This fund accounts for impact fees imposed on commercial and multi-family residential developments for the purpose of contributing toward the purchase of the Aerial Fire Truck (Ladder Truck). The City purchased this truck in fiscal year 2007-2008 using future revenues, and therefore, the fund had a negative balance of (\$786,961) at June 30, 2018. As the economy continues to improve and development is reinvigorated over time, Impact Fee revenues should move this negative balance toward zero.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS *(continued)*

2010 Bond Debt Service Fund – The 2010 Bond Debt Service Fund accounts for all of the advances receivable from the Successor Agency and the debt service payments for the Lease Revenue Bonds that were issued on September 1, 2010. At June 30, 2018, the total fund balance was \$16,553,335, which reflects \$15.1 million in advances receivable from the Successor Agency. See Notes 8 and 15 to the financial statements for additional information on the Successor Agency and the bond issue.

Other Governmental Funds – These are nonmajor funds of the City and are presented in the basic financial statements in the aggregate and in detail in the supplementary section of this report. At June 30, 2018, these funds had an aggregate fund balance of \$12,139,542. Of this total, \$730 is non-spendable and \$215,410 is assigned for specific uses. The Restricted Fund Balance is \$11,923,402. More information about these nonmajor funds can be found in the combining and individual fund financial statements and schedules.

Proprietary Funds

The City's two enterprise funds provide the same type of information found in the Government-wide Financial Statements, but in more detail. Highlights of the annual activity for these funds have already been presented in the discussion of the business-type activities.

Debt Administration

Debt, considered a liability of governmental activities, increased in FY 2017-2018 by \$3,019,122, primarily due to the changes in the Net Pension Liability as required to be reported by GASB 68. The Net Pension Liability for Governmental Activities at the end of the year was \$26,073,112 and \$735,637 for Business-type Activities. Compensated absences increased by \$89,331 during the year.

Cash Management

To obtain flexibility in cash management, the City employs a pooled cash system. Under the pooled cash concept, the City invests the cash of all funds with maturities planned to coincide with cash needs. Idle cash is invested in certain eligible securities as constrained by law and further limited by the City's Investment Policy. The goals of the City's Investment Policy are safety, liquidity, and yield.

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. At June 30, 2018, net capital assets of the governmental activities totaled \$131,674,781 and the net capital assets of the business-type activities totaled \$14,870,726. Depreciation on capital assets is recognized in the Government-wide Financial Statements. The City has elected to depreciate its infrastructure assets. In order to depreciate the infrastructure assets, an estimated useful life for each type of asset was determined using engineering standards, industry standards, as well as discussions with City staff regarding the City's maintenance program for each asset type. This allowed the estimated useful life of each asset type to be tailored to include the unique attributes of the City of Atascadero.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

The following table presents summary information on the City's capital assets:

	2017-2018 Governmental Activities	2017-2018 Business-Type Activities	2017-2018 Total	2016-2017 Governmental Activities	2016-2017 Business-Type Activities	2016-2017 Total
Non-Depreciable:						
Land	\$ 40,971,264	\$ 442,044	\$ 41,413,308	\$ 40,855,264	\$ 442,044	\$ 41,297,308
Construction in progress	6,445,613	211,134	6,656,747	5,130,072	111,118	5,241,190
Depreciable:						
Vehicles and equipment	11,493,762	1,100,813	12,594,575	10,976,017	1,102,728	12,078,745
Structures and improvements	50,477,361	29,258,421	79,735,782	50,194,569	29,018,882	79,213,451
Infrastructure	67,477,649	-	67,477,649	64,895,103	-	64,895,103
Accumulated Depreciation	(45,190,868)	(16,141,686)	(61,332,554)	(42,904,965)	(15,427,501)	(58,332,466)
Net capital assets	<u>\$ 131,674,781</u>	<u>\$ 14,870,726</u>	<u>\$ 146,545,507</u>	<u>\$ 129,146,060</u>	<u>\$ 15,247,271</u>	<u>\$ 144,393,331</u>

General Fund Budgetary Highlights

A detailed budgetary comparison schedule for the fiscal year ended June 30, 2018, is presented in the required supplementary information to the basic financial statements. The final budget amounts (which are the focus of this discussion) are different from those presented in the 2017-2019 budget document. This is due to changes that occurred between the time that the budget was prepared and fiscal year-end final budget approvals.

The following summarizes the original and final budget compared with actual results for 2017-2018.

General Fund	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues	\$ 22,168,280	\$ 23,012,990	\$ 23,556,455	\$ 543,465
Expenditures	24,098,920	24,997,630	22,349,661	2,647,969
Other Sources (Uses)	268,310	268,310	283,907	15,597
Fund Balance, beginning	11,392,595	11,392,595	11,392,595	-
Fund Balance, ending	<u>\$ 9,730,265</u>	<u>\$ 9,676,265</u>	<u>\$ 12,883,296</u>	<u>\$ 3,207,031</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS *(continued)*

Both revenues and expenditure budgets were increased during the year, primarily reflecting the increases in activity in public safety, mutual aid, and recreation activities. In addition, Council approved \$54,000 in expenditures during the fiscal year. Although the final budget reduced the fund balance of the General Fund when compared to the original budget, the actual activity during the year increased the fund balance by \$3 million over the final budget.

Economic Factors and Next Fiscal Year's Budget

The City's revenues are sensitive to the local and national economic environments. After years of downturn, the economy is on a positive trajectory and the effects of the Council's focus on Economic Development are now even more evident. While revenues are gaining momentum, the effect of economic development projects is ongoing into the future. The current improvements in revenues have allowed a limited amount of needed expansion of budgeted expenses but needs to continue to exceed the availability of resources.

Economic factors and key issues and trends that affect the budget include:

Sales Tax Measure F-14 This is a general purpose half-cent transaction tax that became effective April 1, 2015, and will be used primarily for repairing and maintaining neighborhood roads and other roadways.

CalPERS Retirement Cost Increases In December 2016, the CalPERS Board of Directors elected to change the discount rate from 7.5% to 7.0%, to be phased in over a three year time frame. The discount rate is the assumed rate of return on investments, and decreasing this rate assumes that CalPERS will learn less interest income, and consequently, employers like the City will see significant increases in the costs required to fund the Retirement Plan.

State impacts and other governmental regulation Impacts from the State such as water restrictions, climate action plans, changes to State building and construction codes, new environmental regulations, heavy reporting requirements and minimum wage increases continue to burden the City's budget.

Animal Control The City contracts with the County of San Luis Obispo for animal control services. Operating costs have been on the rise each year, and the County will be building a new facility for which Atascadero will need to contribute. The County and the cities continue negotiations to find the most affordable and effective solution.

The 2018-2019 budget is lean, smart, and will make the best of the City's limited resources. In preparing the budget, the objective was to provide an effective plan to maintain the Council goals and the City's core services. The Council's top priorities are:

- Economic Development
- Downtown Revitalization
- Employee Resources

To accomplish all of these goals, the 2018-2019 budget includes the planned use of \$56,190 in reserves, in accordance with the Council's financial strategy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Atascadero, Administrative Services Department, 6500 Palma Avenue, Atascadero, CA 93422.

BASIC FINANCIAL STATEMENTS

CITY OF ATASCADERO
STATEMENT OF NET POSITION
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 32,981,904	\$ 10,699,624	\$ 43,681,528
Restricted cash and investments:			
Cash with fiscal agents	1,428,333	-	1,428,333
Certificates of deposit	85,473	-	85,473
Receivables:			
Federal distributions due	276,625	372,429	649,054
Due from State of California	1,759,592	7,569	1,767,161
Due from County of San Luis Obispo	164,316	24,302	188,618
Accrued interest	76,910	25,091	102,001
Accrued interest receivable- 2010 bonds	181,409	-	181,409
Other receivables	764,230	43,964	808,194
Internal balances	397,435	(397,435)	-
Deposits, prepaid items and inventory	24,347	1,870	26,217
Notes receivable	5,128,641	-	5,128,641
Advance receivable- Successor Agency	16,500,175	-	16,500,175
Capital assets:			
Non-depreciable:			
Land	40,971,264	442,044	41,413,308
Construction in progress	6,445,613	211,134	6,656,747
Depreciable:			
Vehicles and equipment	11,493,762	1,100,813	12,594,575
Structures and improvements	50,477,361	29,258,421	79,735,782
Infrastructure	67,477,649	-	67,477,649
Accumulated depreciation	(45,190,868)	(16,141,686)	(61,332,554)
Total assets	191,444,171	25,648,140	217,092,311
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	8,207,574	172,573	8,380,147
Total deferred outflows	8,207,574	172,573	8,380,147

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO
STATEMENT OF NET POSITION (continued)
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 1,048,693	\$ 128,564	\$ 1,177,257
Accrued salaries and benefits	519,465	14,440	533,905
Accrued interest payable	181,409	-	181,409
Other payables	46,171	24,529	70,700
Deposits payable	63,292	-	63,292
Unearned revenue	1,408,897	63,777	1,472,674
Noncurrent liabilities:			
Due within one year	247,982	-	247,982
Due in more than one year	42,657,403	761,799	43,419,202
Total liabilities	46,173,312	993,109	47,166,421
DEFERRED INFLOWS			
Deferred inflows related to pensions	410,981	30,298	441,279
Total deferred inflows	410,981	30,298	441,279
NET POSITION			
Net investment in capital assets	115,376,960	14,870,726	130,247,686
Restricted for:			
Restricted for parks and recreation	3,442,365	-	3,442,365
Restricted for streets, roads and drainage	8,733,933	-	8,733,933
Restricted for public safety	1,592,254	-	1,592,254
Restricted for redevelopment & housing	6,353,974	-	6,353,974
Restricted for debt service	16,553,335	-	16,553,335
Unrestricted	1,014,631	9,926,580	10,941,211
Total net position	\$ 153,067,452	\$ 24,797,306	\$ 177,864,758

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Net Governmental Activities	Net Business-Type Activities	
Governmental activities:							
General government	\$ 3,684,248	\$ 147,557	\$ 14,446	\$ -	\$ (3,522,245)	\$ -	\$ (3,522,245)
Public safety	13,286,548	928,289	270,228	446,537	(11,641,494)	-	(11,641,494)
Community development	2,279,614	879,984	6,009	-	(1,393,621)	-	(1,393,621)
Community, recreation & zoo services	2,586,544	907,469	34,824	84,351	(1,559,900)	-	(1,559,900)
Parks & open space	1,144,368	36,351	6,222	617,000	(484,795)	-	(484,795)
Public works	3,641,962	159,296	1,490,973	1,272,136	(719,557)	-	(719,557)
Interest on long-term debt	734,815	-	-	-	(734,815)	-	(734,815)
Total governmental activities	<u>27,358,099</u>	<u>3,058,946</u>	<u>1,822,702</u>	<u>2,420,024</u>	<u>(20,056,427)</u>	<u>-</u>	<u>(20,056,427)</u>
Business-type activities:							
Sewer	2,471,411	2,024,871	4,015	-	-	(442,525)	(442,525)
Transit	494,604	37,499	368,195	234,593	-	145,683	145,683
Total business-type activities	<u>2,966,015</u>	<u>2,062,370</u>	<u>372,210</u>	<u>234,593</u>	<u>-</u>	<u>(296,842)</u>	<u>(296,842)</u>
Total government	<u>\$ 30,324,114</u>	<u>\$ 5,121,316</u>	<u>\$ 2,194,912</u>	<u>\$ 2,654,617</u>	<u>(20,056,427)</u>	<u>(296,842)</u>	<u>(20,353,269)</u>
General revenues							
Taxes:							
Secured and unsecured property taxes					10,629,042	-	10,629,042
Sales tax and payments in lieu of sales tax					6,365,952	-	6,365,952
Transient lodging tax					1,376,498	-	1,376,498
Franchise taxes					1,099,534	-	1,099,534
Business license tax					170,907	-	170,907
Property transfer tax					197,978	-	197,978
Other taxes					320,490	-	320,490
Motor vehicle in lieu					16,265	-	16,265
Investment income					59,659	30,924	90,583
Interest from Successor Agency					757,312	-	757,312
Gain on sale of fixed assets					-	4,430	4,430
Total general revenues					<u>20,993,637</u>	<u>35,354</u>	<u>21,028,991</u>
Change in net position					937,210	(261,488)	675,722
Net position at beginning of fiscal year					<u>152,130,242</u>	<u>25,058,794</u>	<u>177,189,036</u>
Net position at end of fiscal year					<u>\$ 153,067,452</u>	<u>\$ 24,797,306</u>	<u>\$ 177,864,758</u>

CITY OF ATASCADERO
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	General Fund	In Lieu Low / Moderate Income Housing Fund	Circulation System Fees Fund	Fire Aerial Vehicle Impact Fees Fund	2010 Bond Debt Service Fund	Other NonMajor Governmental Funds	Totals
ASSETS							
Cash and investments	\$ 10,191,943	\$ 634,534	\$ 3,476,583	\$ -	\$ 2	\$ 11,093,485	\$ 25,396,547
Restricted cash and investments:							
Cash and investments with fiscal agent	-	-	-	-	1,428,333	-	1,428,333
Certificates of deposit	85,473	-	-	-	-	-	85,473
Receivables:							
Federal distributions due	112,704	-	-	-	-	156,421	269,125
Due from State of California	1,424,495	-	-	-	-	335,097	1,759,592
Due from County of San Luis Obispo	157,462	-	-	-	-	6,854	164,316
Accrued interest	25,087	1,553	8,344	-	-	26,711	61,695
Other receivables	643,890	-	36,238	843	-	83,071	764,042
Due from other funds	427,439	-	-	-	-	787,804	1,215,243
Deposits, prepaid items, and inventory	20,170	-	-	-	-	730	20,900
Notes receivable	-	5,008,641	-	-	-	120,000	5,128,641
Advances receivable- Successor Agency	1,375,175	-	-	-	15,125,000	-	16,500,175
Total assets	<u>\$ 14,463,838</u>	<u>\$ 5,644,728</u>	<u>\$ 3,521,165</u>	<u>\$ 843</u>	<u>\$ 16,553,335</u>	<u>\$ 12,610,173</u>	<u>\$ 52,794,082</u>

CITY OF ATASCADERO
GOVERNMENTAL FUNDS
BALANCE SHEET (continued)
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	General Fund	In Lieu Low / Moderate Income Housing Fund	Circulation System Fees Fund	Fire Aerial Vehicle Impact Fees Fund	2010 Bond Debt Service Fund	Other NonMajor Governmental Funds	Totals
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 670,713	\$ -	\$ 39,629	\$ -	\$ -	\$ 254,577	\$ 964,919
Accrued salaries and benefits	494,461	-	-	-	-	11,374	505,835
Due to other funds	-	-	-	787,804	-	30,004	817,808
Unearned revenue	305,905	-	927,870	-	-	174,676	1,408,451
Deposits	63,292	-	-	-	-	-	63,292
Other payables	46,171	-	-	-	-	-	46,171
Total liabilities	<u>1,580,542</u>	<u>-</u>	<u>967,499</u>	<u>787,804</u>	<u>-</u>	<u>470,631</u>	<u>3,806,476</u>
Fund Balances:							
Nonspendable	1,480,818	-	-	-	-	730	1,481,548
Restricted	-	5,644,728	2,553,666	-	16,553,335	11,923,402	36,675,131
Assigned for road projects	-	-	-	-	-	215,410	215,410
Unassigned	11,402,478	-	-	(786,961)	-	-	10,615,517
Total fund balances	<u>12,883,296</u>	<u>5,644,728</u>	<u>2,553,666</u>	<u>(786,961)</u>	<u>16,553,335</u>	<u>12,139,542</u>	<u>48,987,606</u>
Total liabilities and fund balances	<u>\$ 14,463,838</u>	<u>\$ 5,644,728</u>	<u>\$ 3,521,165</u>	<u>\$ 843</u>	<u>\$ 16,553,335</u>	<u>\$ 12,610,173</u>	<u>\$ 52,794,082</u>

CITY OF ATASCADERO
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - governmental funds \$ 48,987,606

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 114,861,095	
Accumulated depreciation	<u>(30,177,656)</u>	
Net		84,683,439

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (181,409)

In governmental funds, the receivable from the Successor Agency related to interest on the 2010 long-term debt is not recognized until the period in which it is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. 181,409

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Bonds payable	15,125,000	
Workers' Compensation estimated claims liability in excess of deposits	74,329	
Compensated absences payable	1,313,792	
PERS pension liability	25,157,753	
Other Post Employment Benefits	<u>192,103</u>	
		(41,862,977)

The deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows	7,992,393
Deferred inflows	(374,794)

In governmental funds, premiums are recognized when the bonds are issued. In the government-wide statement of activities, these are recorded as a liability and amortized over the life of the bond. (66,412)

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO

RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET POSITION (continued)
June 30, 2018

Internal service funds are used by management to charge the costs of various City activities to individual governmental and enterprise funds. The unrestricted net position of the internal service funds are included in the Governmental Activities in the Statement of Net Position.

53,708,197

Total net position, governmental activities

\$ 153,067,452

CITY OF ATASCADERO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018

	General Fund	In Lieu Low / Moderate Income Housing Fund	Circulation System Fees Fund	Fire Aerial Vehicle Impact Fees Fund	2010 Bond Debt Service Fund	Other NonMajor Governmental Funds	Totals
Revenues:							
Secured and unsecured property taxes	\$ 9,799,162	\$ -	\$ -	\$ -	\$ -	\$ 1,105,175	\$ 10,904,337
Taxes based on sales and use	6,365,952	-	-	-	-	-	6,365,952
Franchise tax	1,099,534	-	-	-	-	-	1,099,534
Other taxes	1,745,383	-	-	-	-	-	1,745,383
Licenses and permits	472,398	-	668,057	53,292	-	668,446	1,862,193
Intergovernmental revenues:							
Motor vehicle in lieu	16,265	-	-	-	-	-	16,265
Grants	272,265	-	-	-	-	896,833	1,169,098
Other governmental revenues	168,150	-	-	-	-	1,479,409	1,647,559
Charges for services:							
Public safety	832,915	-	-	-	-	-	832,915
Development	535,114	-	-	-	-	-	535,114
Recreation, parks, pavilion and zoo	932,594	-	-	-	-	-	932,594
Other services	54,096	-	-	-	-	-	54,096
Fines and forfeitures	87,647	-	-	-	-	-	87,647
Use of money and property	10,295	2,738	10,859	-	759,340	52,130	835,362
Other revenues	1,164,685	-	-	-	-	5,047	1,169,732
Total revenues	23,556,455	2,738	678,916	53,292	759,340	4,207,040	29,257,781

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
For the Fiscal Year Ended June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	General Fund	In Lieu Low / Moderate Income Housing Fund	Circulation System Fees Fund	Fire Aerial Vehicle Impact Fees Fund	2010 Bond Debt Service Fund	Other NonMajor Governmental Funds	Totals
Expenditures:							
Current:							
General government	\$ 3,101,495	\$ -	\$ -	\$ -	\$ -	\$ 7,068	\$ 3,108,563
Public safety	11,814,978	-	-	-	-	74,497	11,889,475
Community development	1,625,661	46,230	-	-	1,975	323,637	1,997,503
Community, recreation and zoo services	2,026,400	-	-	-	-	8,000	2,034,400
Parks and open space	614,088	-	-	-	-	42,625	656,713
Public works	1,167,443	-	-	-	-	1,320,814	2,488,257
Capital outlay	1,999,596	-	197,468	-	-	3,498,074	5,695,138
Debt service:							
Principal	-	-	-	-	235,000	-	235,000
Interest	-	-	-	-	739,825	-	739,825
Total expenditures	22,349,661	46,230	197,468	-	976,800	5,274,715	28,844,874
Excess of revenues over (under) expenditures	1,206,794	(43,492)	481,448	53,292	(217,460)	(1,067,675)	412,907
Other Financing Sources (Uses):							
Transfers in	540,250	-	-	-	-	826,321	1,366,571
Transfers out	(256,343)	-	-	-	-	(1,110,228)	(1,366,571)
Total other financing sources and uses	283,907	-	-	-	-	(283,907)	-
Net change in fund balances	1,490,701	(43,492)	481,448	53,292	(217,460)	(1,351,582)	412,907
Fund balances - June 30, 2017	11,392,595	5,688,220	2,072,218	(840,253)	16,770,795	13,491,124	48,574,699
Fund balances - June 30, 2018	\$ 12,883,296	\$ 5,644,728	\$ 2,553,666	\$ (786,961)	\$ 16,553,335	\$ 12,139,542	\$ 48,987,606

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Total net change in fund balance - governmental funds	\$ 412,907
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$5,695,137 is greater than depreciation expense \$(1,512,332) in the period.	4,182,805
The sale or deletion of capital assets is not recorded in the governmental financial statements. In the statement of activities, however, the gain or loss from the sale or deletion is recorded as an appropriate program expense.	(503,616)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	235,000
In governmental funds, the issuance premiums associated with long-term debt are reported as revenue in the fiscal year debt is issued. In the government-wide statements, the issuance premiums are recorded as liabilities and are amortized over the life of the related debt.	2,982
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	(2,028)
In governmental funds, reimbursement from the Successor Agency related to interest on the 2010 long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is earned.	2,028
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, leave amounts earned exceeded the amounts used by:	(86,843)
In governmental funds, pension costs are recognized when employer contributions are made. In the Statement of Activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	(1,843,366)
In the statement of activities, changes to some claims and judgment liabilities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(39,569)

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (continued)
For the Fiscal Year Ended June 30, 2018

In the statement of activities, the long-term liability for Other Post Employment Benefits is recognized. The increase in the long-term liability does not require the use of current financial resources and is not reported in governmental funds.	\$ (6,003)
Internal service funds are used by management to charge the costs of various City activities to individual governmental and enterprise funds. The change in the unrestricted net position of the internal service funds is included in the Governmental Activities in the Statement of Activities. This amount is the net of the change in net position (\$562,793) less the contributions of cash and capital assets from other governmental funds (\$854,294).	<u>(1,417,087)</u>
Changes in net position - governmental activities	<u>\$ 937,210</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Enterprise Funds			Internal Service Funds
	Wastewater Fund	Transit Fund	Totals	Funds
ASSETS				
Current Assets:				
Cash and investments	\$ 10,699,624	\$ -	\$ 10,699,624	\$ 7,585,357
Receivables:				
Federal distributions due	-	372,429	372,429	7,500
Due from State of California	-	7,569	7,569	-
Due from County of San Luis Obispo	24,257	45	24,302	-
Accrued interest	25,824	(733)	25,091	15,215
Other receivables	41,165	2,799	43,964	188
Prepaid expenses	1,870	-	1,870	3,447
Total current assets	10,792,740	382,109	11,174,849	7,611,707
Capital Assets:				
Non-depreciable:				
Land	442,044	-	442,044	-
Construction in progress	61,775	149,359	211,134	1,089,794
Depreciable:				
Vehicles and equipment	782,836	317,977	1,100,813	11,407,010
Structures and improvements	27,830,550	1,427,871	29,258,421	49,507,750
Accumulated depreciation	(15,533,041)	(608,645)	(16,141,686)	(15,013,212)
Net capital assets	13,584,164	1,286,562	14,870,726	46,991,342
Total assets	24,376,904	1,668,671	26,045,575	54,603,049
DEFERRED OUTFLOWS				
Deferred outflows related to pensions	161,499	11,074	172,573	215,181
Total Deferred Outflows	161,499	11,074	172,573	215,181

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (continued)
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Enterprise Funds			Internal Service Funds
	Wastewater Fund	Transit Fund	Totals	Funds
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 110,138	\$ 18,426	\$ 128,564	\$ 83,774
Accrued salaries and benefits	13,683	757	14,440	13,630
Unearned revenue	-	63,777	63,777	446
Due to other funds	-	397,435	397,435	-
Other payables	22,603	1,926	24,529	-
Noncurrent Liabilities:				
Noncurrent liabilities	712,270	49,529	761,799	975,996
Total liabilities	858,694	531,850	1,390,544	1,073,846
DEFERRED INFLOWS				
Deferred inflows related to pensions	28,643	1,655	30,298	36,187
Total Deferred Inflows	28,643	1,655	30,298	36,187
NET POSITION				
Net investment in capital assets	13,584,164	1,286,562	14,870,726	46,991,342
Unrestricted	10,066,902	(140,322)	9,926,580	6,716,855
Total net position	\$ 23,651,066	\$ 1,146,240	\$ 24,797,306	\$ 53,708,197

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

	Enterprise Funds			Internal Service Funds
	Wastewater Fund	Transit Fund	Totals	
Operating Revenues:				
Service fees	\$ 1,987,246	\$ 37,499	\$ 2,024,745	\$ 1,599,270
Installation, extension and connection fees	37,625	-	37,625	-
Other	-	-	-	7,749
Total operating revenues	2,024,871	37,499	2,062,370	1,607,019
Operating Expenses:				
Salaries and benefits	697,657	50,608	748,265	833,453
Office expense	889	593	1,482	1,475
Computer maintenance and replacement	20,014	12,860	32,874	3,010
Insurance	21,956	4,980	26,936	38,600
Occupancy and rental costs	9,198	1,800	10,998	34,240
Utilities	260,130	-	260,130	79,114
Communications	8,304	76	8,380	61,597
Operating supplies	95,023	526	95,549	45,455
Vehicle and equipment operating costs	73,851	48,568	122,419	11,729
Contract services	77,800	141,067	218,867	118,123
Professional development	2,218	485	2,703	5,185
Recruitment	588	-	588	32
Franchise fees	38,636	-	38,636	-
Administrative charges	289,930	142,630	432,560	74,640
Special projects:				
Lift Station Minor Projects	9,500	-	9,500	-
Manhole Rehabilitation Projects	41,500	-	41,500	-
Sewer Line Trench Settlement Repair Project	30,991	-	30,991	-
Wastewater Fee Study	15,012	-	15,012	-
Sewer System Management Plan Audit	9,143	-	9,143	-
Re-rating Study	1,319	-	1,319	-
Local Area Management Plan (LAMP)	29,586	-	29,586	-

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO

PROPRIETARY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER: C-2
 DATE: 01/22/19
 ATTACHMENT: 1

	Enterprise Funds			Internal Service Funds
	Wastewater Fund	Transit Fund	Totals	
Operating Expenses (continued):				
Special projects (continued):				
Small Printers	\$ -	\$ -	\$ -	\$ 140
Depreciation	738,166	90,411	828,577	1,710,441
Total operating expenses	2,471,411	494,604	2,966,015	3,017,234
Operating income (loss)	(446,540)	(457,105)	(903,645)	(1,410,215)
Non-Operating Revenues (Expenses):				
Transportation Development Act Funds - Operations	-	184,785	184,785	-
Section 5307 Revenues - Operations	-	181,910	181,910	-
FEMA 2017 Storms	3,149	-	3,149	-
OES 2017 Storms	866	-	866	-
Interest income	33,782	(2,858)	30,924	(5,243)
Bus advertising sales	-	1,500	1,500	-
Gain / (loss) on sale of capital assets	-	4,430	4,430	(1,629)
Total non-operating revenues	37,797	369,767	407,564	(6,872)
Change in net position prior to capital contributions	(408,743)	(87,338)	(496,081)	(1,417,087)
Capital Contributions:				
Transportation Development Act Funds - Capital	-	45,405	45,405	-
Section 5307 Revenues - Capital	-	62,132	62,132	-
Section 5339 Revenues - Capital	-	119,487	119,487	-
PTMISEA Transit Center Kiosk	-	7,569	7,569	-
Cash contributions from other funds	-	-	-	36,236
Capital contributions from other funds	-	-	-	818,058
Total capital contributions	-	234,593	234,593	854,294
Change in net position	(408,743)	147,255	(261,488)	(562,793)
Total net position, June 30, 2017	24,059,809	998,985	25,058,794	54,270,990
Total net position, June 30, 2018	\$ 23,651,066	\$ 1,146,240	\$ 24,797,306	\$ 53,708,197

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

	Enterprise Funds			Internal Service Funds
	Wastewater Fund	Transit Fund	Totals	Funds
Cash Flows From Operating Activities:				
Receipts from customers	\$ 2,025,651	\$ 35,822	\$ 2,061,473	\$ -
Internal activity - payments from other funds	-	-	-	1,607,019
Payments to suppliers of goods and services	(1,168,134)	(356,063)	(1,524,197)	(683,635)
Payments for employee services	(609,472)	(42,598)	(652,070)	(704,079)
Net cash provided (used) by operating activities	248,045	(362,839)	(114,794)	219,305
Cash Flows From Non-Capital Financing Activities:				
Receipts from intergovernmental agencies	-	320,035	320,035	-
Receipts from bus advertising sales	-	1,500	1,500	-
Loans / repayments to other funds	-	183,192	183,192	-
Net cash provided by non-capital related financing activities	-	504,727	504,727	-
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(217,413)	(234,619)	(452,032)	(598,388)
Cash contributions for capital purchases	-	-	-	36,236
Capital grant proceeds	11,254	90,810	102,064	2,540,400
Proceeds from sale of capital assets	-	4,430	4,430	550
Net cash provided by capital and related financing activities	(206,159)	(139,379)	(345,538)	1,978,798

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS (continued)
For the Fiscal Year Ended June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Enterprise Funds			Internal Service Funds
	Wastewater Fund	Transit Fund	Totals	Funds
Cash Flows From Investing Activities:				
Interest income	\$ 26,617	\$ (2,509)	\$ 24,108	\$ (12,649)
Net cash provided (used) by investing activities	26,617	(2,509)	24,108	(12,649)
Net increase in cash and cash equivalents	68,503	-	68,503	2,185,454
Cash and cash equivalents - June 30, 2017	10,631,121	-	10,631,121	5,399,903
Cash and cash equivalents - June 30, 2018	<u>\$ 10,699,624</u>	<u>\$ -</u>	<u>\$ 10,699,624</u>	<u>\$ 7,585,357</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (446,540)	\$ (457,105)	\$ (903,645)	\$ (1,410,215)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	738,166	90,411	828,577	1,710,441
Change in assets, deferred outflows, liabilities, and deferred inflows:				
Receivables, net	780	(1,677)	(897)	(21)
Prepaid expenses	-	-	-	(2,407)
Accounts payable	(132,546)	(2,478)	(135,024)	(208,213)
Accrued salaries and benefits	(1,252)	(117)	(1,369)	1,315
Unearned revenue	-	-	-	346
Deferred outflows	(8,602)	(776)	(9,378)	(11,902)
Deferred inflows	(19,369)	(1,745)	(21,114)	(26,801)
Net pension liability	118,171	10,648	128,819	163,511
Compensated absences	(763)	-	(763)	3,251
Net cash provided (used) by operating activities	<u>\$ 248,045</u>	<u>\$ (362,839)</u>	<u>\$ (114,794)</u>	<u>\$ 219,305</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO

PRIVATE PURPOSE TRUST FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Successor Agency to the Community Redevelopment Agency of Atascadero	Housing Successor Agency to the Community Redevelopment Agency of Atascadero	Totals
<u>Successor Agency to the Atascadero Community Redevelopment Agency</u>			
ASSETS			
Cash and investments	\$ 2,089,456	\$ -	\$ 2,089,456
Restricted cash and investments:			
Cash with fiscal agent	869,016	-	869,016
Receivables:			
Accrued interest	6,112	-	6,112
Other receivables	350	-	350
Notes receivable	-	200,000	200,000
Due from Successor Agency	-	1,335,322	1,335,322
Total assets	<u>2,964,934</u>	<u>1,535,322</u>	<u>4,500,256</u>
LIABILITIES			
Accounts payable	2,336	-	2,336
Interest payable	336,397	-	336,397
Due to Successor Agency Housing Fund	1,335,322	-	1,335,322
Loans payable to City of Atascadero	1,375,175	-	1,375,175
Premium on bonds payable	27,440	-	27,440
2004 Bonds Payable	9,630,000	-	9,630,000
2010 Bond Reimbursement Agreement Payable to City of Atascadero	15,125,000	-	15,125,000
Total liabilities	<u>27,831,670</u>	<u>-</u>	<u>27,831,670</u>
NET POSITION			
Held in trust for taxing agencies	<u>\$ (24,866,736)</u>	<u>\$ 1,535,322</u>	<u>\$ (23,331,414)</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF ATASCADERO

PRIVATE PURPOSE TRUST FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2018

	Successor Agency to the Community Redevelopment Agency of Atascadero	Housing Successor Agency to the Community Redevelopment Agency of Atascadero	Totals
Additions			
Contributions:			
RPTTF Distributions	\$ 1,988,503	\$ -	\$ 1,988,503
Investment earnings:			
Interest	12,777	-	12,777
Total additions	2,001,280	-	2,001,280
Deductions			
Distribution to taxing agencies	2,192,530	-	2,192,530
Payment on outstanding services contracts	2,470	-	2,470
Asset maintenance costs	28,704	-	28,704
Sale of Creekside Building costs	34,498	-	34,498
Administrative costs	130,330	-	130,330
2004 Bond Interest Expense	468,484	-	468,484
2010 Bond Reimbursement Interest Expense	739,565	-	739,565
Depreciation expense	42,848	-	42,848
Loss on Sale of Capital Assets	260,833	-	260,833
Total deductions	3,900,262	-	3,900,262
Change in net position	(1,898,982)	-	(1,898,982)
Net assets - June 30, 2017	(22,967,754)	1,535,322	(21,432,432)
Net position - June 30, 2018	\$ (24,866,736)	\$ 1,535,322	\$ (23,331,414)

The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying basic financial statements present the financial activity of the City, which is the primary government. The reporting entity is the City of Atascadero. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The 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 accompanying financial statements are presented on the basis set forth in Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments*; No. 36, *Recipient Reporting for Certain Non-Exchange Revenues, an Amendment of GASB Statement No. 33*; No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government – Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

These statements require that the financial statements described below be presented.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and private purpose trust funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the City's major governmental funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

In Lieu Low/Moderate Income Housing Fund

This fund accounts for fees that are paid by developers in lieu of building inclusionary (affordable) housing. These fees are expended on programs that provide and/or promote affordable housing within the City.

Circulation System Fees Fund

This fund accounts for fees that are paid by developers to fund the creation of more lane miles or more efficient lane miles with which to accommodate the additional trips created by new development. These fees are expended for the construction of new/increased/improved roadway and bridge facilities.

Fire Aerial Vehicle Impact Fees Fund

This fund accounts for impact fees imposed on commercial and multi-family residential developments for the purpose of contributing toward the purchase of the Aerial Fire Truck (Ladder Truck). The City purchased this truck in fiscal year 2007-2008 using future revenues.

2010 Bond Debt Service Fund

This fund accounts for the debt service payments for the Lease Revenue Bonds that were issued on September 1, 2010.

The City reported the following major proprietary funds:

Wastewater Fund

This fund accounts for the activities associated with the City's sewer plant operation and maintenance.

Transit Fund

This fund accounts for the activities associated with the operation and maintenance of transportation services, such as and including the Dial-a-Ride Transit System.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Internal Service Funds

The Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the City. The City maintains three internal service funds: the Technology Fund, the Vehicle and Equipment Replacement Fund, and the Building Maintenance and Replacement Fund. The Internal Service Funds are presented in total on the Proprietary Funds financial statements. They are included in the governmental activities in the government-wide financial statements since they represent internal governmental activities.

E. Private Purpose Trust Funds

Private Purpose Trust Funds are used to account for monies held on behalf of others in a fiduciary capacity. The City uses private purpose trust funds to account for the Successor Agency of the Former Redevelopment Agency which was dissolved on January 31, 2012, pursuant to state law. All resources of the funds are used to support specified activities.

F. Basis of Accounting

The government-wide, proprietary fund financial statements, and the private purpose trust 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide, proprietary fund financial statements, and the private purpose trust fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues from nonoperating revenues. Operating revenues generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Wastewater Fund and the Transit Fund are charges to customers for services. The Wastewater Fund also recognizes as operating revenue the installation, extension and connections fees intended to recover the cost of connecting new customers to the system. All revenues not meeting these definitions are reported as non-operating revenues, including non-exchange transactions such as local transportation funds and federal Section 5307 revenues.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Basis of Accounting (continued)

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

G. Compensated Absences

In compliance with Governmental Accounting Standards Board Statement No. 16, the City has established a liability for accrued vacation, other leave and certain sick leave in relevant funds. For governmental funds, the current liability appears in the respective funds. All vacation, sick and other leave paid is accrued when incurred in the government-wide and proprietary funds financial statements. This liability is set up for the current employees at the current rates of pay. If vacation and certain other leave are not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement or termination. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

H. Property Taxes

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership or new construction occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/Lien Date(s)	January 1	January 1
Levy Date(s)	July 1	July 1
Due Date(s)	November 1 (50%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 (Nov.) April 10 (Feb.)	August 31

The City adopted an alternative method of property tax distribution (the "Teeter Plan"). Under this method, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt, including the final payment, which generally is received within 60 days after the fiscal year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets Additions and Retirements

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 value on the date contributed. The City's policy is to capitalize all capital assets with costs exceeding a minimum of \$2,500, and with useful lives exceeding one year. In the Technology Fund, the City uses a lower cost threshold to capitalize assets due to the nature of the assets.

With the implementation of GASB Statement No. 34, the City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

The City's collection of zoo animals is not capitalized. The collection of animals is held for public education purposes, is well cared for, and there is a City commitment to continue the collection.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each fiscal year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets.

Structures and Improvements	3-100 years
Equipment	3-25 years
Infrastructure	15-100 years

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

K. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Proprietary Funds' "deposits" in the Citywide cash management pool are, in substance, demand deposits and are, therefore, considered cash equivalents for purposes of the statement of cash flows.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Performance Bonds

The City receives performance bonds from developers to ensure compliance and completion of projects that affect the City's infrastructure. These commitments may be in the form of cash, certificates of deposit in the City's name, letters of credit, or surety bonds. Upon receipt, these deposits are recorded both as an asset and a liability. For purposes of simplifying the balance sheet, the performance bonds asset account in the amount of \$10,170,635 was netted against the liability account of \$10,227,554 in fiscal year 2018. The net balance in the performance bond deposits liability account at June 30, 2018, was \$56,919 and is included with other amounts in the "Deposits" liability reported in the basic financial statements.

M. Short-Term Debt

The City has no short-term debt.

N. Long-Term Contracts

The City uses the percentage-of-completion method of accounting for long-term contracts, recognizing the pro rata portion of the contract in the accounting period covered by the contract.

O. Fund Balance

Categories of Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, the City classifies fund balances as follows:

Non-spendable- includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints

Restricted- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation

Committed- includes amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council

Assigned- includes fund balance amounts that are constrained for specific purposes by the City through formal action of the City Council and does not lapse at fiscal year end

Unassigned- includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

Non-Spendable Fund Balance

The non-spendable fund balance of \$1,481,548 is comprised of amounts reported in non-spendable form and/or not in cash form such as prepaid items, long-term notes receivable, and long-term advances receivable.

Restricted Fund Balance

The restricted fund balance of \$36,675,131 is comprised of \$5,644,728 for affordable housing, \$16,553,335 restricted for debt service, and \$14,477,068 restricted for other Capital Project Funds and Special Revenue Funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance (continued)

Assigned Fund Balance

The assigned fund balance of \$215,410 is held in the Capital Projects Fund for road rehabilitation projects. These funds remain from the City Council's action to move funds annually in fiscal years 2001/2002 through 2007/2008 for these projects.

Use of Fund Balance Order

The City budgets and expends funds for each project or expense based on specific identified funding sources that are available now and in the future. This means that, at times, the City may use unrestricted funds first for a particular project, leaving the eligible restricted funds available for a specific future project; however, it is the City's general policy to use restricted amounts first when both restricted and unrestricted amounts are available. Similarly, the City would typically first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Minimum Fund Balance Policy

The City adopted a formal fund balance policy stating that as part of the biennial budget process, fund balance shall be evaluated to determine the prudent level of reserves based on eleven key measurements. The policy further states that except in the case of natural or fiscal emergencies, the City's general fund balance shall not fall below 20% of General Fund expenditures. The General Fund reserve met this criteria for fiscal year 2017-2018.

Major Special Revenue and Capital Projects Funds

The purpose for each major fund may be found in Note 1(C); however, each major special revenue and capital projects fund and its revenue source is listed below:

Major Special Revenue and Debt Service Funds

In Lieu Low/Moderate Income Housing Fund
Circulation System Fees Fund
Fire Aerial Vehicle Impact Fees Fund
2010 Bond Debt Service Fund

Revenue Source

New Developments
Development Impact Fees
Development Impact Fees
Successor Agency Tax Increment

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance (continued)

Detailed Schedule of Fund Balances

A detailed schedule of fund balances is provided below:

Disclosure of Fund Balances Reported on Balance Sheet
June 30, 2018

	General Fund	In Lieu Low/Moderate Income Housing Fund	Circulation System Fees Fund	Fire Aerial Vehicle Impact Fees Fund	2010 Bond Debt Service Fund	Other NonMajor Governmental Funds	Totals
FUND BALANCES:							
Nonspendable							
Deposits, prepaid items, and inventory	\$ 105,643	\$ -	\$ -	\$ -	\$ -	\$ 730	\$ 106,373
Advances Receivable	1,375,175	-	-	-	-	-	1,375,175
Restricted							
Public Safety	-	-	-	-	-	1,592,254	1,592,254
Streets, Roads, and Drainage	-	-	2,553,666	-	-	6,179,537	8,733,203
Parks, Open Space & Recreation	-	-	-	-	-	3,442,365	3,442,365
Community Development and Blight Elimination	-	-	-	-	-	709,246	709,246
Affordable Housing	-	5,644,728	-	-	-	-	5,644,728
Debt Service	-	-	-	-	16,553,335	-	16,553,335
Assigned							
Streets, Roads, and Drainage	-	-	-	-	-	215,410	215,410
Unassigned	11,402,478	-	-	(786,961)	-	-	10,615,517
Total Fund Balances	<u>\$ 12,883,296</u>	<u>\$ 5,644,728</u>	<u>\$ 2,553,666</u>	<u>\$ (786,961)</u>	<u>\$ 16,553,335</u>	<u>\$ 12,139,542</u>	<u>\$ 48,987,606</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 75

For the fiscal year ended June 30, 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. 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 Agency Employers and Agent Multiple-Employer Plans*, for OPEB. Implementation of GASB Statement No. 75 and the impact on the City's financial statements are explained in Note 10 – Other Post Employment Benefits.

Governmental Accounting Standards Board Statement No. 81

For the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is effective for periods beginning after June 15, 2017. GASB Statement 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Implementation of this statement did not have a significant impact on the City for the year ended June 30, 2018.

Governmental Accounting Standards Board Statement No. 85

For the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 85, *Omnibus 2017*. This Statement is effective for periods beginning after June 15, 2017. This Statement address practice issues that have been identified during implementation and application of certain GASB Statements. It addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Implementation of GASB Statement No. 85 had minimal impact on the City's financial statements for the year ended June 30, 2018.

Governmental Accounting Standards Board Statement No. 86

For the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement is effective for periods beginning after June 15, 2017. This Statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. . Implementation of this statement did not have a significant impact on the City for the year ended June 30, 2018.

Q. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The City has one item which qualifies for reporting in this category; refer to Note 9 for a detailed listing of the deferred outflows of resources the City has recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The City has one item which qualifies for reporting in this category; refer to Note 9 for a detailed list of the deferred inflows of revenues the City recognized.

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 City of Atascadero's California Employees' Retirement System (CalPERS) Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Biennial budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. After adoption of the final budget, transfers of appropriations within a general fund department, or within other funds, can be made by the City Manager or her appointee. Budget modifications between funds, and increases or decreases to a fund's overall budget, must be approved by the City Council. Numerous properly authorized amendments were made during the fiscal year.

Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting is employed (e.g., purchase orders) to avoid expenditures over budget. Encumbrances outstanding at fiscal year-end are automatically re-budgeted in the following fiscal year.

B. Deficit Fund Balance

A deficit fund balance in the following fund exists due to large purchases incurred prior to the receipt of the long-term reimbursing revenues:

	Deficit Fund Balance
Major Governmental Fund	
Fire Aerial Vehicle Impact Fees Fund	\$ (786,961)

NOTE 3 – CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent possible, pursuant to the Investment Policy and Guidelines approved by the City Council, as well as State Government Code. The earnings from these investments are allocated monthly to each fund, based on an average of monthly opening and closing balances of cash and investments. Investments are stated at fair value.

Cash and investments at June 30, 2018, consisted of the following:

Pooled Cash and Investments:

Cash in bank and on hand	\$ 491,466
Investments	27,096,468
Broker Money Market Account	39,091
Local Agency Investment Fund (State Pool)	<u>18,229,432</u>

Total Pooled Cash and Investments	<u>45,856,457</u>
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Funds with Fiscal Agents:

United States Treasury Money Fund	<u>2,297,349</u>
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Total Funds with Fiscal Agents	<u>2,297,349</u>
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Total Cash and Investments	<u><u>\$ 48,153,806</u></u>
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Cash and investments are reflected in the accompanying financial statements as follows:

	Governmental Activities	Business- Type Activities	Private-Purpose Trust Funds	Total
Cash and investments	\$ 32,981,904	\$ 10,699,624	\$ 2,089,456	\$ 45,770,984
Cash and investments held by fiscal agents	1,428,333	-	869,016	2,297,349
Restricted certificates of deposit	85,473	-	-	85,473
Total Cash and Investments	<u>\$ 34,495,710</u>	<u>\$ 10,699,624</u>	<u>\$ 2,958,472</u>	<u>\$ 48,153,806</u>

NOTE 3 – CASH AND INVESTMENTS (continued)

A. Deposits with Financial Institutions

For custodial credit risk associated with deposits, the City follows the California Government Code, which requires California financial institutions to secure the City's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits.

At fiscal year end, the City's bank account balance was \$1,095,960. The first \$250,000 was insured by federal depository insurance, and the remainder was 110% collateralized. Certificates of Deposit totaling \$11,055,042 are fully insured.

B. State Investment Pool

The fair value of the City's position in the State LAIF pool is the same as the value of the pool shares. The State LAIF pool credit quality is unrated.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. Separate financial statements for LAIF can be obtained by writing Local Agency Investment Fund, Post Office Box 942809, Sacramento, CA 94209-0001.

C. Authorized Investments

The City's Investment Policy lists the following as authorized investments:

- Local Agency Investment Fund (LAIF)
- U.S. Government Obligations
- Supranational Securities
- Bankers' Acceptances
- Commercial Paper
- Certificates of Deposit and Passbook Savings Accounts
- Money Market Funds

D. Marking Investments to Fair Value (GASB Statement No. 31)

In fiscal year 1997/98, the City adopted Governmental Accounting Standards Board Statement No. 31, which requires that the City's investments be carried at fair value instead of cost. Under GASB Statement No. 31, the City must adjust the carrying value of its investments to reflect their fair value at each fiscal year end, and it must include the effects of these adjustments in income for that fiscal year.

GASB Statement No. 31 applies to all City investments, even if held to maturity and redeemed at full face value. Since the City's policy is to hold all investments to maturity, the fair value adjustments required by GASB Statement No. 31 result in accounting gains or losses (called "recognized" gains or losses) which do not reflect actual sales of the investments (called "realized" gains or losses). Thus, recognized gains or losses on an investment purchased at par will now reflect changes in its value at each succeeding fiscal year end, but these recognized gains or losses will net to zero if the investment is held to maturity. By following the requirements of GASB Statement No. 31, the City is reporting the amount of resources which would actually have been available if it had been required to liquidate all of its investments at any fiscal year end.

NOTE 3 – CASH AND INVESTMENTS (continued)

E. Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

1. Quoted prices for similar assets or liabilities in active markets.
2. Quoted prices for identical or similar assets or liabilities in markets that are not active.
3. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
4. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

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

Fair value of assets measured on a recurring basis at June 30, 2018, are as follows:

June 30, 2018	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Uncategorized (Level 3)
U. S. Government Obligations	\$ 14,494,368	\$ -	\$ 14,494,368	\$ -
Supranational Securities	1,461,585	-	1,461,585	-
Certificates of Deposit	11,055,042	-	11,055,042	-
Broker Money Market Account	39,091	-	39,091	-
United States Treasury Money Fund	2,297,349	-	2,297,349	-
	<u>\$ 29,347,435</u>	<u>\$ -</u>	<u>\$ 29,347,435</u>	<u>\$ -</u>
Investments measured at amortized cost				
LAIF	18,229,432			
Total investments	<u>\$ 47,576,867</u>			

Fair values for investments are determined by using a matrix pricing technique. Matrix pricing is used to value securities based on the security's relationship to benchmark quoted prices. Uncategorized investments do not fall under the fair value hierarchy as there is no active market for the investments.

NOTE 3 – CASH AND INVESTMENTS (continued)

F. Investments

Investments for the City are summarized below:

Investments	<u>Fair Value</u>	<u>Percent of Portfolio</u>
U.S. Government Obligations	\$ 14,494,366	32%
Supranational Securities	1,461,585	3%
Certificates of Deposit	11,140,517	25%
Broker Money Market Account	39,091	0%
Local Agency Investment Fund (State Pool)	18,229,432	40%
Total Investments Managed by City	<u>\$ 45,364,991</u>	<u>100%</u>
Investments Held by Fiscal Agents		
United States Treasury Money Fund	<u>\$ 2,297,349</u>	<u>100%</u>
Total Investments Held by Fiscal Agents	<u>\$ 2,297,349</u>	<u>100%</u>

	<u>Fair Value</u>	<u>On Demand</u>	<u>Within One Month</u>	<u>One Month to One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>
Investments						
U.S. Government Obligations	\$ 14,494,366	\$ -	\$ -	\$ 996,328	\$ 13,498,038	\$ -
Supranational Securities	1,461,585	-	-	-	1,461,585	-
Certificates of Deposit	11,140,517	-	489,978	3,662,326	6,902,740	85,473 *
Broker Money Market Account	39,091	-	39,091	-	-	-
Local Agency Investment Fund (State Pool)	18,229,432	18,229,432	-	-	-	-
Total Investments Managed by City	<u>\$ 45,364,991</u>	<u>\$ 18,229,432</u>	<u>\$ 529,069</u>	<u>\$ 4,658,654</u>	<u>\$ 21,862,363</u>	<u>\$ 85,473</u>
Percentage of Portfolio	100%	40%	1%	10%	49%	0%

* \$85,473 in certificates of deposit with a local bank, serving as collateral for the Local Road Improvement Loan Program, approved by Council June 14, 2005.

NOTE 3 – CASH AND INVESTMENTS (continued)

F. Investments (continued)

Interest Rate Risk. This is the risk that the market value of securities in the portfolio will fall, due to changes in general interest rates. In accordance with its Investment Policy, the City mitigates interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pool.

Credit Risk. This is the risk of loss due to the failure of the security issuer or backer. The City mitigates credit risk by:

- Limiting investments to the safest types of securities.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by Nationally Recognized Statistical Rating Organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs. The City does not hold any commercial paper or corporate bonds. U. S. Government Obligations held by the City are rated AAA, the top rating issued by NRSROs. The City's investment in the State LAIF pool is unrated, as are the investments in Certificates of Deposit.

	Fair Value	Rating as of June 30, 2018	
		AAA	Not Rated
Investments			
U. S. Government Obligations	\$ 14,494,366	\$ 14,494,366	\$ -
Supranational Securities	1,461,585	1,461,585	-
Certificates of Deposit	11,140,517	-	11,140,517
Local Agency Investment Fund (State Pool)	18,229,432	-	18,229,432
Total Investments Managed by City	<u>\$ 45,325,900</u>	<u>\$ 15,955,951</u>	<u>\$ 29,369,949</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments in government securities are held in trust by Union Bank and are exposed to custodial credit risk because these investments are uninsured and collateralized with securities held by the Union Bank's trust department or agency, but not in the City's name. The amounts held under this custodial arrangement are not limited by the City's Investment Policy.

NOTE 3 – CASH AND INVESTMENTS (continued)

F. Investments (continued)

Concentration Credit Risk. The City's Investment Policy provides guidelines (by type of investment vehicle that limits either the dollar amount, the percent of the portfolio or the maturity term) for diversifying the investment portfolio so that potential losses on individual securities will be minimized. The City's Investment Policy outlines the following criteria related to portfolio diversification:

- No more than forty percent (40%) of the City's portfolio shall be invested in U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value.
- Up to forty percent (40%) of the City's portfolio may be invested in bankers' acceptances that are defined as bills of exchange or time drafts, drawn on and accepted by a commercial bank, which are eligible for purchase by the Federal Reserve System, although no more than thirty percent (30%) of the portfolio may be invested in bankers' acceptances with any one commercial bank. Additionally, the maturity periods cannot exceed 180 days.
- A maximum of twenty-five percent (25%) of the City's portfolio may be invested in highest tier (e.g., A-1, P-1, F-1 or D-1 or higher) commercial paper as rated by Moody's or Standard and Poor's rating service. Issuing corporations must be organized and operating in the United States, have \$500 million total assets, and have at least an "A" rating (by Moody's or Standard and Poor's) on debt other than commercial paper. The maturity period cannot exceed 270 days. Purchases of eligible commercial paper may not exceed 10% of the outstanding paper of an issuing corporation.
- A maximum of thirty percent (30%) of the City's portfolio may be deposited in certificates of deposit or passbook savings accounts. The minimum requirements for certificate of deposit investments shall be:
 - Investments and accrued interest shall never exceed the FDIC insurance limit in any one institution.
 - Qualified institutions must have a minimum equity ratio of 6% and a minimum capitalization of \$10,000,000.
- Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec 80a-1 et seq.) shall not exceed twenty percent (20%) of the agency's surplus money that may be invested pursuant to the City's Investment Policy.
- Up to thirty percent (30%) of the City's portfolio may be invested in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this paragraph shall be rated in a rating category of "AA" or its equivalent or better by a nationally recognized statistical rating organization (NRSRO). No more than 10% of the City's portfolio shall be invested in obligations of any one bank.

G. Funds with Fiscal Agents

The City had \$1,428,333 in cash and investments as of June 30, 2018, held by fiscal agents pledged for the payment or security of the 2010 Lease Revenue Bonds. There was an additional \$869,016 held by fiscal agents for the 2004 Redevelopment Agency Tax Allocation Bonds in the Successor Agency to the Community Redevelopment Agency of Atascadero Private Purpose Trust Fund. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its fiscal agents may make.

NOTE 4 – ADVANCES RECEIVABLE – SUCCESSOR AGENCY

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Successor Agency General Fund	\$ 1,375,175
2010 Bond Debt Service Fund	Successor Agency General Fund	15,125,000
Total		<u>\$ 16,500,175</u>

Advances receivable of \$1,375,175 consists of three separate loans made by the City General Fund to the former Redevelopment Agency. These funds are now liabilities of the Successor Agency. AB 1484 sets forth the criteria for repayment of these loans. See Note 15C – Successor Agency Trust for Assets of Former Redevelopment Agency, Loans Payable, for additional information.

Advances receivable of \$15,125,000 consists of a reimbursement agreement with the City for bond debt service. In September of 2010, the City issued bonds on behalf of the former Redevelopment Agency and entered into a reimbursement agreement at that time whereby the City advanced the former Agency the proceeds of the bond and the former Agency was required to make annual payments to the City in the amount of the debt service on the bonds. With the dissolution of redevelopment, this is now a debt of the Successor Agency and the Successor Agency will continue to make the required payments. See Note 15D – Successor Agency Trust for Assets of Former Redevelopment Agency, Bond Reimbursement Agreement Payable, for additional information. This arrangement meets the criteria of ABX1 26, Section 34171(d)(G)(2):

- Written agreement entered into:
 - At the time of issuance, but no later than December 31, 2010, of indebtedness obligations
 - Solely for the purpose of securing or repaying those indebtedness obligations
- Section 34171(e) defines “indebtedness obligation”: bonds, notes, certificates of participation, or other evidence of indebtedness, issued or delivered by the redevelopment agency, or by a joint exercise of powers authority created by the redevelopment agency, to third-party investors or bondholders to finance or refinance redevelopment projects undertaken by the redevelopment agency in compliance with the Community Redevelopment Law.

NOTE 5 – NOTES RECEIVABLE

Notes receivable in the amount of \$120,000 is due from the Atascadero Land Preservation Society (ALPS) for the construction of the Three Bridges Trail Project. The loan shall be repaid after ALPS receives grant funding from the California Natural Resources Agency and the moneys are no longer needed for construction activities of the Project or within 180 days after the completion of the Project. No interest shall accrue on the loan.

Notes receivable in the amount of \$5,008,641 is outstanding in the In Lieu Low/Moderate Income Housing Fund. As part of the its affordable housing plan, City developed the Equity Sharing Program. This requires that for developments meeting certain criteria, the City share in the equity of the homes designated as “affordable” under the program. These homes are sold by developers at an affordable price and the City records notes receivable against the titles in the amounts equal to the difference between the sales prices and the fair market values. The loans are either paid back on a pro-rata share of equity at the time the homes sell, or are forgiven after a period of 30 years of ownership by the same homeowner.

NOTE 6 – CAPITAL ASSETS

A. Capital Assets Additions and Retirements

Capital assets activity in the Governmental Activities for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers Between Assets</u>	<u>Balance June 30, 2018</u>
Governmental Activities					
Non-Depreciable Capital Assets					
Land	\$ 40,855,264	\$ 116,000	\$ -	\$ -	\$ 40,971,264
Construction in progress	5,130,072	5,367,371	-	(4,051,830)	6,445,613
Total non-depreciable capital assets	<u>45,985,336</u>	<u>5,483,371</u>	<u>-</u>	<u>(4,051,830)</u>	<u>47,416,877</u>
Depreciable Capital Assets					
Vehicles and equipment	10,976,017	630,607	(112,862)	-	11,493,762
Structures and improvements	50,194,569	6,530	-	276,262	50,477,361
Infrastructure	64,895,103	136,781	(1,329,803)	3,775,568	67,477,649
Total depreciable capital assets	126,065,689	773,918	(1,442,665)	4,051,830	129,448,772
Less Accumulated Depreciation	<u>(42,904,965)</u>	<u>(3,222,773)</u>	<u>936,870</u>	<u>-</u>	<u>(45,190,868)</u>
Net depreciable capital assets	<u>83,160,724</u>	<u>(2,448,855)</u>	<u>(505,795)</u>	<u>4,051,830</u>	<u>84,257,904</u>
Net governmental capital assets	<u>\$ 129,146,060</u>	<u>\$ 3,034,516</u>	<u>\$ (505,795)</u>	<u>\$ -</u>	<u>\$ 131,674,781</u>

NOTE 6 – CAPITAL ASSETS (continued)

A. Capital Assets Additions and Retirements (continued)

Capital assets activity in the Business-Type Activities for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers Between Assets</u>	<u>Balance June 30, 2018</u>
Business-Type Activities					
Non-Depreciable Capital Assets					
Land	\$ 442,044	\$ -	\$ -	\$ -	\$ 442,044
Construction in progress	111,118	290,283	-	(190,267)	211,134
Total non-depreciable capital assets	553,162	290,283	-	(190,267)	653,178
Depreciable Capital Assets					
Vehicles and equipment	1,102,728	112,477	(114,392)	-	1,100,813
Structures and improvements	29,018,882	49,272	-	190,267	29,258,421
Total depreciable capital assets	30,121,610	161,749	(114,392)	190,267	30,359,234
Less Accumulated Depreciation	(15,427,501)	(828,577)	114,392	-	(16,141,686)
Net depreciable capital assets	14,694,109	(666,828)	-	190,267	14,217,548
Net business-type capital assets	<u>\$ 15,247,271</u>	<u>\$ (376,545)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,870,726</u>

NOTE 6 – CAPITAL ASSETS (continued)

B. Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:

General government	\$ 317,466
Public safety	549,132
Community development	234,388
Community, recreation & zoo services	353,971
Parks & open space	157,885
Public works	<u>1,609,931</u>

Total Depreciation Expense- Governmental Activities \$ 3,222,773

Business-Type Activities:

Sewer	\$ 738,166
Transit	<u>90,411</u>

Total Depreciation Expense- Business-Type Activities \$ 828,577

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

Due to/due from other funds consist of short-term interfund loans made for the purposes of cash flows. They are expected to be repaid by the borrowing fund within one year. The composition of due to/due from balances at June 30, 2018, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 30,004
General Fund	Transit Fund	397,435
Nonmajor Governmental Funds	Fire Aerial Vehicle Impact Fees Fund	787,804
Total		<u>\$ 1,215,243</u>

B. Interfund Transfers

Interfund transfers were made as follows:

Interfund Transfers
June 30, 2018

<u>Actual</u>	<u>Description</u>
\$ 540,250	Transfer from the Community Facilities District Fund to the General Fund for fire, police and park services
254,943	Transfer from the General Fund to the Gas Tax Fund for the cost of Streets Department operations
1,400	Transfer from the General Fund to the De Anza Landscape & Lighting Fund for open space maintenance
109,268	Transfer from the Gas Tax Fund to the Local Transportation Fund for the El Camino Real North Rehabilitation Project
460,000	Transfer from the Parkland Facilities Fees Fund to the 2010 Bond Proceeds Master Agreement Fund for the Centennial Bridge and Plaza Project
710	Transfer from Supplement Law Enforcement Services Fund to the General Government Fees Fund for a portion of a vehicle purchase
<u>\$ 1,366,571</u>	

NOTE 8 – LONG-TERM DEBT

A. Compensated Absences

City employees accumulate earned but unused vacation and certain other leave pay benefits which can be converted to cash at termination of employment. In the statement of activities, the expenditure is allocated to each function based on usage. The vested benefits payable in accordance with various collective bargaining agreements at June 30, 2018, total \$1,374,429 for governmental activities and \$26,162 for business-type activities.

B. 2010 Lease Revenue Bonds

On September 1, 2010, the City of Atascadero issued \$16,010,000 in Lease Revenue Bonds for the former Community Redevelopment Agency of Atascadero. The bonds were issued by the City in order to achieve an overall lower interest rate on the bonds. The bond proceeds were transferred to the former Redevelopment Agency for use on the Historic City Hall Project and other redevelopment blight elimination projects. These bonds will mature between fiscal years 2015 and 2041, at interest rates ranging from 3.0% to 5.0%. The Successor Agency will make payments, from tax increment revenues, to the City in amounts equal to the annual debt service payments on the bonds. The bonds will then be repaid by the City using these revenues.

The following is a summary of principal and interest payments to be made in future fiscal years:

Fiscal Year Ending June 30,	2010 Lease Revenue Bonds	
	Principal	Interest
2019	\$ 245,000	\$ 730,813
2020	250,000	721,537
2021	260,000	712,288
2022	270,000	702,012
2023	275,000	689,737
2024-2028	1,595,000	3,250,844
2029-2033	2,010,000	2,815,750
2034-2038	5,250,000	2,049,250
2039-2041	4,970,000	381,000
	<u>\$ 15,125,000</u>	<u>\$ 12,053,231</u>

NOTE 8 – LONG-TERM DEBT (continued)

C. Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Payments	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Bonds Payable:					
2010 Lease Revenue Bonds	\$ 15,360,000	\$ -	\$ (235,000)	\$ 15,125,000	\$ 245,000
Compensated Absences	1,284,335	1,032,719	(942,625)	1,374,429	-
Premium on 2010 Lease Revenue Bonds	69,394	-	(2,982)	66,412	2,982
Workers' Compensation estimated claims liability in excess of deposits	34,760	39,569	-	74,329	-
Net Pension Liability	22,951,674	5,526,299	(2,404,861)	26,073,112	-
Other Post Employment Benefits	186,100	13,403	(7,400)	192,103	-
Total Governmental Activities	<u>\$ 39,886,263</u>	<u>\$ 6,611,990</u>	<u>\$ (3,592,868)</u>	<u>\$ 42,905,385</u>	<u>\$ 247,982</u>
Business-type Activities:					
Compensated Absences	\$ 26,925	\$ 35,516	\$ (36,279)	\$ 26,162	\$ -
Net Pension Liability	606,818	313,291	(184,472)	735,637	-
Total Business-type Activity	<u>\$ 633,743</u>	<u>\$ 348,807</u>	<u>\$ (220,751)</u>	<u>\$ 761,799</u>	<u>\$ -</u>

NOTE 9 - EMPLOYEE RETIREMENT BENEFITS

A. Public Employees' Retirement System

Summary of Significant Accounting Policies-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 City of Atascadero's California Public Employees' Retirement System (CalPERS) Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 9 - EMPLOYEE RETIREMENT BENEFITS (continued)

A. Public Employees' Retirement System (continued)

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Atascadero sponsors six rate plans (three miscellaneous and three safety.) Benefit provisions under the Plan are established by State statute and City of Atascadero 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 at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited services, equal to a fixed percentage of their highest annual salary formula as determined by the benefit program they participate in. 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 rate plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plan		
	<i>Tier 1</i>	<i>Tier 2</i>	<i>Tier 3</i>
Hire date	Prior to July 1, 2012	On or after July 1, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
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	50-55	50-63	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	6.50%
Required employer contribution rates	10.848%	9.096%	6.91%

NOTE 9 - EMPLOYEE RETIREMENT BENEFITS (continued)

A. Public Employees' Retirement System (continued)

Benefits Provided (continued)

	Safety Plan		
	<i>Tier 1</i>	<i>Tier 2</i>	<i>Tier 3</i>
Hire date	Prior to July 1, 2012	On or after July 1, 2012	On or after January 1, 2013
Benefit formula	3.0% @ 50	3.0% @ 55	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	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	11.50%
Required employer contribution rates	19.72%	16.84%	11.99%

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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

The City's contributions to the Plan for the fiscal year ended June 30, 2018, were \$2,685,953.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amount was paid at the beginning of the fiscal year. The City of Atascadero's required contribution for the unfunded liability and side fund was \$1,399,451 in fiscal year 2018.

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$26,808,749.

The City's net pension liability for the Plan 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 City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to other projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2016, and 2017, was as follows:

NOTE 9 - EMPLOYEE RETIREMENT BENEFITS (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Percentage Share of Net Pension Liability

	Percentage share of Risk Pool		Change: Increase/ (Decrease)
	June 30, 2018	June 30, 2017	
Measurement Date	6/30/2017	6/30/2016	
Percentage of Plan (PERF C) Net Pension Liability	0.270324%	0.272255%	-0.001931%

For the fiscal year ended June 30, 2018, the City recognized pension expense of \$4,752,454. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	All Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 71,744
Changes of assumptions	3,910,469	299,215
Net differences between projected and actual earnings on plan investments	866,532	-
Change in employer's proportion	728,576	70,320
Differences between the employer's contributions and the employer's proportionate share of contributions	188,617	-
Pension contributions subsequent to measurement date	2,685,953	-
Total	\$ 8,380,147	\$ 441,279

NOTE 9 - EMPLOYEE RETIREMENT BENEFITS (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

\$2,685,953 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 fiscal 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:

2019	\$	1,704,971
2020		2,503,221
2021		1,555,087
2022		(510,364)

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:

	Plan
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
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

NOTE 9 - EMPLOYEE RETIREMENT BENEFITS (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions (continued)

The mortality table used was developed based on CalPERS' specific data. This table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more detail on this table, please refer to the 2014 Experience Study on the CalPERS website.

Other significant actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period 1997 to 2011. The Experience Study can be found on the CalPERS website.

Change of Assumption

In fiscal year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Plan net of investments expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), the amortized and smoothing periods adopted by the CalPERS Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on investments. Based on the testing of the plans, the tests revealed the assets would not run out. 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 for PERF C. The crossover test results are presented in the detailed report called, "GASB Crossover Testing Report" that can be obtained on 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 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 (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 9 - EMPLOYEE RETIREMENT BENEFITS (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The following table reflects long-term expected real rate of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	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 City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate		
	6.15% (1% Decrease)	7.15% (Current Rate)	8.15% (1% Increase)
Measurement Date	6/30/2017		
Fiscal Year End	6/30/2018		
Net Pension Liability	\$ 39,714,825	\$ 26,808,749	\$ 16,197,926

NOTE 9 - EMPLOYEE RETIREMENT BENEFITS (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net positions is available in separately issued CalPERS financial reports.

C. Payable to the Pension Plan

The City paid 100% of the required actuarially determined contributions for the fiscal year ending June 30, 2018, and therefore recorded no payables to the pension plan for the same period.

D. Defined Contribution Plan

The City offers a defined contribution plan, Nationwide Retirement Solutions, for those employees that are excluded from CalPERS membership due to part-time or elected status. The plan is approved as an FICA substitute. Members contribute 5% and the City contributes 2.5%. Total employee contributions for the year were \$13,521, and total contributions from the City were \$6,760. Nationwide Retirement Solutions is the public employee plan subsidiary of Nationwide Financial Services, Inc. (NYSE: NFS).

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

Plan Description

In addition to the CalPERS pension benefits described above, the City provides post-retirement health benefits for Executive Management (City Council, City Manager, Deputy City Managers, and Department Heads). The City agreed to reimburse the retiree for retiree and/or retiree's dependent health (medical/dental/vision) insurance premiums, disability insurance, long-term health care or life insurance premiums up to a maximum of \$200 per month. The benefit is available upon retirement from CalPERS or other similar retirement program after age 50, and the employee must have served for eight years with the City. The benefit extends between the date of retirement and age 65. Currently, there are four people that received benefits in fiscal year 2017/2018, and fifteen other people that may become eligible for benefits under this program.

Funding Policy

The City accounts for this benefit on a pay-as-you-go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay for benefits and administrative costs. These expenditures are paid as they come due. In fiscal year ended June 30, 2018, the City's total contributions were \$7,400.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (continued)

Employees Covered

As of June 30, 2018, the following current and former employees were covered by the benefit under the plan.

Active members	11
Inactive members	4
Beneficiaries	4
Total	<u>19</u>

Net OPEB Obligation and Net Changes in the OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 75 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the postemployment healthcare benefits:

	Total OPEB Liability
Annual required contribution	\$ 29,319
Interest on net OPEB obligation	5,583
Adjustment to annual required contribution	<u>(21,499)</u>
Annual OPEB cost (expense)	13,403
Contributions made	<u>(7,400)</u>
Net changes (decrease in net OPEB obligation)	6,003
Net OPEB obligation, beginning of year	<u>186,100</u>
Net OPEB obligation, end of year	<u>\$ 192,103</u>

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2016, 2017, and 2018 were as follows:

For Fiscal Year Ended June 30,	Annual OPEB Cost	Contributions	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 14,575	\$ 4,800	32.9%	\$ 152,794
2017	\$ 41,106	\$ 7,800	19.0%	\$ 186,100
2018	\$ 13,403	\$ 7,400	55.2%	\$ 192,103

As of the fiscal year ended June 30, 2018, the City reported no deferred outflows nor deferred inflows of resources related to OPEB.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.00%) or 1-percentage point higher (4.00%) than the current discount rate.

	Discount Rate		
	1% Decrease 2.00%	Current Rate 3.00%	1% Increase 4.00%
Net OPEB Liability	\$ 193,511	\$ 192,103	\$ 190,871

Funded Status and Funding Progress

As of June 30, 2018, the actuarial accrued liability for benefits was \$192,103 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,126,865, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 17 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, public safety active plan members were assumed to retire at age 50, or at the first subsequent year in which the member would qualify for benefits and other active plan members were assumed to retire at age 55, or at the first subsequent year in which the member would qualify for benefits.

Mortality – All active and inactive plan members were expected to live through age 65 (the age that benefits terminate).

Turnover – All active members were expected to remain employed until the assumed retirement/age.

Discount Rate – Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.0 percent was used. In addition, a simplified version of the projected unit credit and level cost method was used. The remaining amortization period at June 30, 2018, was twenty-six years.

NOTE 11 – REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218

Proposition 218, which was approved by voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments, and fees. Any new, increase, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

NOTE 12 - RISK MANAGEMENT

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City of Atascadero is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

NOTE 12 - RISK MANAGEMENT (continued)

B. Primary Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Primary Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

C. Purchased Insurance

Pollution Legal Liability Insurance

The City of Atascadero participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Atascadero. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

NOTE 12 - RISK MANAGEMENT (continued)

C. Purchased Insurance (continued)

Property Insurance

The City of Atascadero participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Atascadero property is currently insured according to a schedule of covered property submitted by the City of Atascadero to the Authority. City of Atascadero property currently has all-risk property insurance protection in the amount of \$81,649,686. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

The City of Atascadero purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

Special Event Tenant User Liability Insurance

The City of Atascadero further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Atascadero according to a schedule. The City of Atascadero then pays for the insurance. The insurance is facilitated by the Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

E. Unemployment

The City is fully self-insured for unemployment claims.

F. Self Insurance

The City retains the risk for losses incurred prior to joining the Authority. Several member agencies of the now dissolved Central Coast Cities Self-Insurance Fund continue to participate in a non-risk sharing arrangement for claims management and the purchase of excess insurance for claims prior to joining the Authority. Losses are debited and investment income is credited to specific member accounts. The City has not incurred any losses in excess of insurance coverage.

NOTE 12 - RISK MANAGEMENT (continued)

F. Self Insurance (continued)

Self-insurance activity as of and for the year ended June 30, 2018, is summarized as follows:

	Workers'
	Compensation
Interest earnings and other income	\$ 2,725
Claims expense	104,188
Estimated liability for reported claims and settlement expenses	241,714
Assets on deposit	167,385
Assets in excess of (less than) liabilities	<u>\$ (74,329)</u>

Changes in the balances of claim liabilities during the past two fiscal years are as follows:

	Workers'
	Compensation
Deposits June 30, 2016	\$ (75,111)
Claim payments and related expenditures	(44,362)
(Increase) in estimated claims liability June 30, 2017	82,869
Deposits and interest earnings	1,844
Deposits (unpaid claims liability) June 30, 2017	(34,760)
Claim payments and related expenditures	(104,188)
(Increase) in estimated claims liability June 30, 2018	61,894
Deposits and interest earnings	2,725
Deposits (unpaid claims liability) June 30, 2018	<u>\$ (74,329)</u>

NOTE 13 – CONTINGENCIES AND COMMITMENTS

The City had received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

According to the City's attorney, no contingent liabilities are outstanding and no lawsuits of any significant financial consequence are pending or the risks are covered by the City's insurance programs.

Construction and other significant commitments as of June 30, 2018, including encumbrances outstanding at fiscal year-end, are as follows:

Capital Commitments
Fiscal Year 2017/2018

100 General Fund	\$ 317,583
201 Community Facilities District Fund	1,935
202 Apple Valley Street & Storm Drain Assessment District Fund	1,508
203 Apple Valley Landscape & Lighting Assessment District Fund	1,942
204 Las Lomas Street & Storm Drain Assessment District Fund	1,508
205 Las Lomas Landscape & Lighting Assessment District Fund	1,942
206 De Anza Street & Storm Drain Assessment District Fund	1,508
207 De Anza Landscape & Lighting Assessment District Fund	1,942
265 Local Transportation Fund	2,540,154
281 Circulation System Fees Fund	562,182
288 Public Facilities Fund	4,560
310 Capital Projects Fund	13,859
527 Wastewater Fund	3,752
690 Technology	108,123
Total	<u>\$ 3,562,498</u>

NOTE 14 – NET POSITION

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Position

Net Position is the excess of all the City's assets over all its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement No. 34. These captions apply only to Net Position, which is determined only at the government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position 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. These principally include fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes. Restricted Net Position includes \$36,675,861 restricted by enabling legislation.

Unrestricted describes the portion of Net Position which is not restricted as to use.

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

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Atascadero, which had previously reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that, upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution Number 2012-002.

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (continued)

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012), from governmental funds of the City to fiduciary funds, was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements in fiscal year 2011-2012. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private purpose trust fund as an extraordinary gain in the fiscal year 2011-2012.

The Successor Agency received a Finding of Completion (FOC) from the State Department of Finance on March 8, 2013. In order to be eligible for the FOC, the Successor Agency had to meet the following requirements:

- pay the housing fund balance as determined by Due Diligence Review;
- pay the non-housing fund balance as determined by Due Diligence Review; and
- pay the balance of any outstanding pass-through obligations and residual payments.

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (continued)

A. Notes Receivable

The Housing Successor Agency is holding \$200,000 in Notes Receivable as part of the Downtown Stimulus Program. The former Redevelopment Agency used the Downtown Stimulus Program as a tool to encourage investors to provide affordable housing in the downtown area. Neither the principal nor interest shall be payable under the Note for the term of 55 years; or until such time as the Program Participant sells or otherwise transfers the site. The Notes will be forgiven in full after the period of 55 years.

B. Capital Assets

The remaining capital assets of the Successor Agency were disposed of during fiscal year 2017/2018. Activity in the Private Purpose Trust Funds for the fiscal year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Fiduciary Funds				
Non-Depreciable Capital Assets				
Land	\$ 413,791	\$ -	\$ (413,791)	\$ -
Total non-depreciable capital assets	413,791	-	(413,791)	-
Depreciable Capital Assets				
Structures and improvements	2,360,929	-	(2,360,929)	-
Total depreciable capital assets	2,360,929	-	(2,360,929)	-
Less Accumulated Depreciation	(278,509)	(42,848)	321,357	-
Net depreciable capital assets	2,082,420	(42,848)	(2,039,572)	-
Net fiduciary-type capital assets	\$ 2,496,211	\$ (42,848)	\$ (2,453,363)	\$ -

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (continued)

C. Loans Payable

The City General Fund loaned three separate advances to the former Redevelopment Agency. The total of these three loans is \$1,375,175 and is now a liability of the Successor Agency. AB 1484 sets forth the criteria for repayment of these loans:

- California Department of Finance must issue the Successor Agency a Finding of Completion
- Oversight Board must find that the loans were for legitimate redevelopment purposes
- Repayment is subject to certain restrictions, including a reduction of the interest rate to the LAIF rate, restrictions on the timing and amount of annual repayments, and a requirement that 20% of the repayment amount must be deposited into a restricted housing set-aside fund
- Loan repayments shall not be made prior to the 2013-14 fiscal year.

D. Bond Reimbursement Agreement Payable

In September of 2010, the City issued \$16,010,000 in bonds on behalf of the Redevelopment Agency in order for the Agency to achieve an overall lower debt service cost. At the time of the bond issuance, a reimbursement agreement was entered into whereby the City advanced the Agency the proceeds of the bond and the Agency is required to make annual payments to the City in the amount of the debt service on the bonds. Annual principal payments on the advance are required between fiscal years 2015 and 2041, at interest rates ranging from 3.0% to 5.0%. See Note 8B – Long Term Debt, 2010 Lease Revenue Bonds, for additional information.

E. 2004 Redevelopment Agency Tax Allocation Bonds

The former Atascadero Community Redevelopment Agency (Agency) issued \$12,490,000 in Tax Allocation bonds for improvements to the downtown core. These bonds mature between fiscal years 2011 and 2035, at interest rates ranging from 3.00% to 5.00%. Since the Agency was dissolved effective February 1, 2012, the bonds are now a liability of the Successor Agency. The liability is now reflected on the private purpose trust financial statements of the Successor Agency and is no longer found on the financial statements of the City and its component unit. The bonds will be repaid with the Successor Agency's Tax Allocation Revenues.

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (continued)

E. 2004 Redevelopment Agency Tax Allocation Bonds (continued)

The following is a summary of principal and interest payments to be made in future fiscal years:

Fiscal Year Ending June 30,	2004 Redevelopment Agency Tax Allocation Bonds	
	Principal	Interest
2019	\$ 380,000	\$ 459,168
2020	400,000	441,808
2021	415,000	423,262
2022	435,000	403,930
2023	455,000	383,677
2024-2028	2,625,000	1,558,328
2029-2033	3,340,000	828,372
2034-2035	1,580,000	80,000
	<u>\$ 9,630,000</u>	<u>\$ 4,578,545</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATASCADERO**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - SUMMARY****BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER:

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Secured and unsecured property taxes	\$ 9,481,370	\$ 9,481,370	\$ 9,799,162	\$ 317,792
Taxes based on sales and use	5,943,430	5,943,430	6,365,952	422,522
Franchise tax	1,067,520	1,067,520	1,099,534	32,014
Other taxes	1,612,790	1,612,790	1,745,383	132,593
Licenses and permits	595,890	595,890	472,398	(123,492)
Intergovernmental revenues:				
Motor vehicle in-lieu and related payments	13,900	13,900	16,265	2,365
Grants	34,140	472,550	272,265	(200,285)
Other governmental revenues	150,290	150,290	168,150	17,860
Charges for services:				
Public safety	435,550	732,460	832,915	100,455
Development	476,280	531,440	535,114	3,674
Recreation, parks, pavilion and zoo	849,050	879,820	932,594	52,774
Other services	52,840	52,840	54,096	1,256
Fines and forfeitures	141,720	141,720	87,647	(54,073)
Use of money and property	72,300	72,300	10,295	(62,005)
Other revenues	1,241,210	1,264,670	1,164,685	(99,985)
Total revenues	22,168,280	23,012,990	23,556,455	543,465
Expenditures:				
Employee services	14,970,260	15,228,690	14,882,845	345,845
Operating supplies and services	5,347,480	5,463,310	5,128,887	334,423
Special purchases, projects and community funding	353,450	644,880	338,333	306,547
Capital outlay	3,427,730	3,660,750	1,999,596	1,661,154
Total expenditures	24,098,920	24,997,630	22,349,661	2,647,969
Excess of revenues over (under) expenditures	(1,930,640)	(1,984,640)	1,206,794	3,191,434

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - SUMMARY (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Transfers in	\$ 540,250	\$ 540,250	\$ 540,250	\$ -
Transfers out	(271,940)	(271,940)	(256,343)	15,597
Total other financing sources and uses	268,310	268,310	283,907	15,597
Net changes in fund balance	<u>\$ (1,662,330)</u>	<u>\$ (1,716,330)</u>	1,490,701	<u>\$ 3,207,031</u>
Fund balance - June 30, 2017			11,392,595	
Fund balance - June 30, 2018			<u>\$ 12,883,296</u>	

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes:				
Secured property tax	\$ 6,101,590	\$ 6,101,590	\$ 6,004,868	\$ (96,722)
Property tax in lieu of VLF	2,712,820	2,712,820	2,738,603	25,783
Unsecured property taxes	149,620	149,620	149,214	(406)
Supplemental property taxes	237,300	237,300	155,327	(81,973)
Redevelopment Agency Dissolution- residual distribution	285,290	285,290	349,216	63,926
Redevelopment Agency Dissolution- asset sale	-	-	409,960	409,960
Prior year secured and unsecured	(5,000)	(5,000)	(6,978)	(1,978)
Property tax penalties and interest	(250)	(250)	(1,048)	(798)
Taxes based on sales:				
Sales and use taxes	3,830,920	3,830,920	4,058,583	227,663
Measure F-14 Sales Tax	2,112,510	2,112,510	2,307,369	194,859
Transient occupancy tax	1,299,890	1,299,890	1,376,498	76,608
Franchise taxes:				
Cable television franchise fees	240,730	240,730	248,966	8,236
Electricity franchise fees	250,180	250,180	270,639	20,459
Garbage disposal franchise fees	396,530	396,530	410,118	13,588
Landfill franchise fees	39,700	39,700	39,467	(233)
Recycling franchise fees	19,850	19,850	19,657	(193)
Gas franchise fees	79,050	79,050	72,051	(6,999)
Wastewater franchise fees	41,480	41,480	38,636	(2,844)
Business licenses	170,000	170,000	170,907	907
Property transfer tax	142,900	142,900	197,978	55,078
Total Taxes	18,105,110	18,105,110	19,010,031	904,921
Licenses and Permits:				
Construction permits	517,560	517,560	395,942	(121,618)
Grading and drainage permits	25,620	25,620	31,473	5,853
Encroachment permits	40,670	40,670	30,229	(10,441)
Tree application fees	9,000	9,000	11,227	2,227
Planning Inspections	3,040	3,040	3,527	487
Total Licenses and Permits	595,890	595,890	472,398	(123,492)

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

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	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues (continued):				
Intergovernmental Revenues:				
Motor vehicle in-lieu (VLF)	\$ 13,900	\$ 13,900	\$ 16,265	\$ 2,365
Homeowners' tax relief	45,290	45,290	45,195	(95)
State mandated costs	-	-	18,429	18,429
P.O.S.T. reimbursement	25,000	25,000	24,526	(474)
School Resources Officer	80,000	80,000	80,000	-
Grants:				
Fire Safe Council grant	-	12,810	12,764	(46)
2018 OTS Traffic Enforcement Grant	-	5,850	5,844	(6)
2018 OTS DUI Enforcement Grant	-	24,950	24,944	(6)
BSCC Realignment	34,140	34,140	751	(33,389)
FEMA earthquake funding	-	-	3,746	3,746
CalEMA earthquake funding	-	-	(7,473)	(7,473)
FEMA 2017 Storms	-	-	6,235	6,235
CalOES 2017 Storms	-	-	1,715	1,715
El Camino Corridor Study Grant	-	176,800	6,009	(170,791)
Wireless 911 Project Grant	-	218,000	217,730	(270)
Total Intergovernmental Revenues	198,330	636,740	456,680	(180,060)
Charges for Services:				
Public safety:				
First response charges	114,960	114,960	115,644	684
Weed abatement services	35,000	35,000	33,736	(1,264)
Mutual Aid	252,920	549,830	643,165	93,335
Police/Fire false alarms	3,500	3,500	5,394	1,894
Fire classes	-	-	954	954
Fingerprints	8,000	8,000	6,625	(1,375)
Vehicle release fees	16,000	16,000	15,883	(117)
Other public safety services	5,170	5,170	11,514	6,344

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER:

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	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues (continued):				
Charges for Services (continued):				
Development:				
Zoning fees	\$ 36,060	\$ 36,060	\$ 34,500	\$ (1,560)
Subdivision fees- Planning	25,760	25,760	27,125	1,365
Subdivision fees- Public Works	7,660	7,660	11,962	4,302
General and specific plans	3,920	3,920	8,858	4,938
Appeals	2,470	2,470	3,062	592
Assessment District Formation and Annexes	-	5,500	5,496	(4)
Planning review	38,060	38,060	34,071	(3,989)
Building plan check fees	220,340	270,000	270,437	437
Public Works plan check fees	76,190	76,190	85,496	9,306
Fire plan check and inspection fees	62,230	62,230	47,953	(14,277)
Other planning fees	3,590	3,590	6,154	2,564
Recreation:				
Advertising	-	-	7,735	7,735
Aquatics	29,850	29,850	8,006	(21,844)
Adult sports	35,950	35,950	29,654	(6,296)
Youth sports	58,000	58,000	59,755	1,755
Classes	125,000	125,000	133,034	8,034
Special events	32,000	61,850	64,250	2,400
Special events- Zoo	30,000	30,000	24,650	(5,350)
Teen Center membership	2,330	2,330	2,428	98
Rentals and concessions:				
Pavilion facility rentals	107,100	107,100	140,272	33,172
Other Pavilion rents and concessions	6,240	6,240	7,277	1,037
Colony Park Community Center rentals	16,940	16,940	21,556	4,616
Historic City Hall Rentals	-	-	1,000	1,000
Other facility rentals	3,440	3,440	14,521	11,081
Park charges	32,110	32,110	25,124	(6,986)
Zoo:				
Zoo admissions	251,360	251,360	267,372	16,012
Zoo educational programs	12,500	12,500	14,430	1,930
Zoo gift shop	106,230	106,230	110,607	4,377
Other Zoo revenues	-	920	923	3

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER:

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	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues (continued):				
Charges for Services (continued):				
Administrative:				
Copy and mailing fees	\$ 5,930	\$ 5,930	\$ 4,314	\$ (1,616)
Document imaging fee	16,910	16,910	15,527	(1,383)
Business license application fees	30,000	30,000	33,870	3,870
Other administrative charges	-	-	385	385
Total Charges for Services	1,813,720	2,196,560	2,354,719	158,159
Fines and Forfeitures:				
Motor vehicle fines	60,000	60,000	52,145	(7,855)
Misdemeanor and other minor fines	7,640	7,640	5,494	(2,146)
Parking fines	6,500	6,500	3,769	(2,731)
Fire and code enforcement fines	36,930	36,930	12,450	(24,480)
Business license penalties	7,800	7,800	7,876	76
Other penalties	22,850	22,850	5,913	(16,937)
Total Fines and Forfeitures	141,720	141,720	87,647	(54,073)
Use of Money and Property:				
Interest	55,380	55,380	94,760	39,380
Adjustment to Fair Market Value-GASB 31	-	-	(85,019)	(85,019)
Interest on Measure F-14 Funds	16,920	16,920	31,805	14,885
Measure F-14 Funds Adjustment to Fair Market Value	-	-	(31,251)	(31,251)
Total Use of Money and Property	72,300	72,300	10,295	(62,005)
Other Revenues:				
Interfund administrative charges				
General overhead charges	388,350	388,350	388,350	-
Staffing charges for other funds	434,380	434,380	426,560	(7,820)
Staffing charges for capital projects	210,120	210,120	136,536	(73,584)
Staffing charges for CDBG administration	-	-	6,758	6,758
Administrative charges- Third Parties	100	100	299	199
Administrative charges- Successor Agency	130,330	130,330	130,330	-
Workers' comp reimbursement	15,000	15,000	4,637	(10,363)
Miscellaneous revenue	12,530	16,820	22,882	6,062

CITY OF ATASCADERO**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)****BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2018

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (continued):				
Other Revenues (continued):				
Donations:				
Police	\$ -	\$ 8,010	\$ 7,988	\$ (22)
Fire	23,400	27,130	8,299	(18,831)
Recreation	-	2,430	2,433	3
Other donations	-	5,000	6,222	1,222
Friends of Zoo Donations:				
Memberships	25,000	25,000	21,451	(3,549)
Other Zoo donations	2,000	2,000	1,940	(60)
Total Other Revenues	1,241,210	1,264,670	1,164,685	(99,985)
Total Revenues	22,168,280	23,012,990	23,556,455	543,465

CITY OF ATASCADERO**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)****BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2018

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
City Council:				
Salaries and benefits	\$ 49,440	\$ 49,440	\$ 45,783	\$ 3,657
Office expense	500	440	50	390
Advertising	500	700	699	1
Computer maintenance and replacement	4,980	4,980	4,980	-
Occupancy	43,840	43,840	43,840	-
Communications	350	410	404	6
Operating supplies	3,710	3,510	2,710	800
Vehicle and equipment operating costs	200	200	-	200
Contract services	36,500	36,500	36,000	500
Professional development	23,450	23,450	19,611	3,839
Community outreach	52,100	51,060	39,646	11,414
Chamber of Commerce	111,510	112,550	112,543	7
Business development	21,260	21,260	10,000	11,260
LAFCO contribution	19,000	19,000	16,849	2,151
Special projects and community funding:				
North County Animal Shelter Feasibility Study	-	15,490	15,484	6
Promotions	200,000	237,850	229,842	8,008
Total City Council	567,340	620,680	578,441	42,239
City Clerk:				
Office expense	640	720	716	4
Advertising	5,300	4,900	3,520	1,380
Contract services	6,100	6,370	6,361	9
Professional development	6,270	6,270	2,803	3,467
Municipal election	160	210	206	4
Total City Clerk	18,470	18,470	13,606	4,864

CITY OF ATASCADERO**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)****BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2018

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
City Treasurer:				
Salaries and benefits	\$ 5,710	\$ 6,270	\$ 6,261	\$ 9
Contract services	10,200	10,620	10,614	6
Professional development	320	1,110	1,109	1
Total City Treasurer	16,230	18,000	17,984	16
City Attorney:				
Office expense	90	10	1	9
Communications	70	80	73	7
Contract services	260,000	392,120	392,092	28
Total City Attorney	260,160	392,210	392,166	44
City Manager:				
Salaries and benefits	885,430	885,430	872,254	13,176
Office expense	7,730	7,730	7,387	343
Computer maintenance and replacement	50,680	54,870	54,717	153
Insurance	12,900	12,950	12,950	-
Occupancy	30,060	30,060	30,060	-
Communications	2,180	2,180	1,998	182
Operating supplies	10,080	10,080	3,032	7,048
Vehicle and equipment operating costs	6,270	6,270	6,259	11
Contract services	35,070	15,830	8,219	7,611
Professional development	22,270	22,270	15,249	7,021
Citywide training	4,000	4,000	2,572	1,428
Recruitment	500	500	81	419
Employee development	1,650	1,650	1,641	9
Contingency	120,000	20,000	-	20,000
Total City Manager	1,188,820	1,073,820	1,016,419	57,401

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER:

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	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Expenditures (continued):				
Administrative Services:				
Salaries and benefits	\$ 791,550	\$ 791,550	\$ 755,969	\$ 35,581
Office expense	15,110	11,810	11,803	7
Advertising	390	360	206	154
Computer maintenance and replacement	83,580	83,580	82,844	736
Insurance	13,970	14,030	14,022	8
Occupancy	43,700	43,950	43,946	4
Communications	1,030	1,030	886	144
Operating supplies	240	290	286	4
Vehicle and equipment operating costs	3,600	3,640	3,639	1
Contract services	177,690	158,520	151,292	7,228
Professional development	6,050	10,920	10,915	5
Recruitment	-	80	71	9
Contingency	5,000	-	-	-
Special purchases, projects and studies:				
Development Impact Fee Study	35,000	35,000	7,000	28,000
Total Administrative Services	1,176,910	1,154,760	1,082,879	71,881
Police:				
Salaries and benefits	5,682,910	5,682,910	5,664,222	18,688
Office expense	18,670	16,820	16,812	8
Computer maintenance and replacement	336,030	337,690	337,684	6
Insurance	275,880	276,920	276,918	2
Occupancy	45,460	56,560	56,559	1
Utilities	35,900	37,390	37,386	4
Communications	29,500	37,820	37,813	7
Operating supplies	21,050	28,080	28,076	4
Vehicle and equipment operating costs	311,500	286,240	286,236	4
Contract services	439,050	398,580	290,254	108,326
Professional development	11,400	21,260	21,252	8
Recruitment	9,600	18,170	18,168	2
Contingency	10,000	-	-	-

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER:

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Police: (continued)				
Special purchases, projects and studies:				
Desks	\$ -	\$ 3,620	\$ 3,614	\$ 6
Other office furniture	-	1,080	1,077	3
Personal protective vests	-	2,330	2,327	3
Replace Radios	-	890	885	5
Flooring projects	100	2,170	2,162	8
Laserfiche Scan Project	27,500	27,500	-	27,500
	<u>7,254,550</u>	<u>7,236,030</u>	<u>7,081,445</u>	<u>154,585</u>
Police Grants:				
Salaries and benefits	-	28,800	28,788	12
Operating supplies	-	2,410	2,402	8
Contract services	-	1,020	1,019	1
Professional development	68,520	78,130	23,412	54,718
Capital outlay:				
Wireless 911 System	-	218,000	217,730	270
	<u>68,520</u>	<u>328,360</u>	<u>273,351</u>	<u>55,009</u>
Total Police	<u>7,323,070</u>	<u>7,564,390</u>	<u>7,354,796</u>	<u>209,594</u>
Fire:				
Salaries and benefits	3,571,360	3,556,830	3,555,032	1,798
Office expense	6,250	6,090	6,090	-
Computer maintenance and replacement	193,990	190,610	190,602	8
Insurance	67,910	67,830	67,823	7
Occupancy	26,380	24,940	24,938	2
Utilities	22,500	23,730	23,722	8
Communications	15,100	12,810	12,804	6
Operating supplies	44,480	47,800	47,792	8
Vehicle and equipment operating costs	131,420	153,120	153,113	7

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER:

C-2

DATE:

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Fire (continued):				
Contract services	\$ 20,100	\$ 22,190	\$ 22,182	\$ 8
Professional development	25,830	24,440	24,434	6
Recruitment	500	5,140	5,140	-
Contingency	10,000	-	-	-
Special purchases, projects and studies:				
Chairs	-	1,130	1,126	4
Fire Hose	5,000	5,000	5,000	-
	<u>4,140,820</u>	<u>4,141,660</u>	<u>4,139,798</u>	<u>1,862</u>
Mutual Aid Program:				
Salaries and benefits	137,330	440,190	440,180	10
Office expenses	-	20	18	2
Communications	-	480	473	7
Operating supplies	15,390	8,270	8,267	3
Vehicle and equipment operating costs	1,000	1,670	1,667	3
Special purchases, projects and studies:				
Fire hose	2,920	2,920	2,771	149
	<u>156,640</u>	<u>453,550</u>	<u>453,376</u>	<u>174</u>
Weed Abatement and Other Fire Programs:				
Salaries and benefits	-	8,910	8,862	48
Office expense	800	1,830	1,809	21
Advertising	500	490	185	305
Operating supplies	-	3,370	3,363	7
Vehicle and equipment operating costs	-	2,650	2,636	14
Contract services	70,000	70,590	67,883	2,707

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Weed Abatement and Other Fire Programs: (continued)				
Capital outlay:				
Cash contribution to Vehicle and Equipment				
Maintenance Fund for Fire Engines	\$ 23,400	\$ 23,400	\$ 4,162	\$ 19,238
	94,700	111,240	88,900	22,340
Total Fire	4,392,160	4,706,450	4,682,074	24,376
 Community Development:				
Salaries and benefits	1,258,340	1,258,340	1,164,775	93,565
Office expense	14,520	15,960	15,959	1
Advertising	4,000	4,000	3,908	92
Computer maintenance and replacement	111,020	107,870	93,266	14,604
Insurance	18,300	18,380	18,380	-
Occupancy	48,060	48,060	48,060	-
Communications	2,010	3,230	3,226	4
Operating supplies	1,030	1,140	1,137	3
Vehicle and equipment operating costs	15,550	15,270	12,981	2,289
Contract services	95,620	150,780	150,711	69
Professional development	18,120	18,120	16,156	1,964
Recruitment	1,140	1,720	1,712	8
Contingency	5,000	5,000	-	5,000
Special purchases, projects and studies:				
El Camino Real Corridor Study	-	176,800	6,009	170,791
Market Assessment Study	-	25,000	-	25,000
Total Community Development	1,592,710	1,849,670	1,536,280	313,390

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER:

C-2

DATE:

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	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Expenditures (continued):				
Central Reception:				
Salaries and benefits	\$ 48,800	\$ 48,800	\$ 45,207	\$ 3,593
Office expense	1,050	1,040	329	711
Computer maintenance and replacement	7,180	7,180	7,180	-
Insurance	1,090	1,100	1,100	-
Occupancy	35,080	35,080	35,080	-
Communications	400	370	360	10
Operating supplies	100	130	125	5
Vehicle and equipment operating costs	50	50	-	50
Professional development	230	230	-	230
Recruitment	120	120	-	120
Total Central Reception	94,100	94,100	89,381	4,719
Recreation:				
Salaries and benefits	325,040	326,210	316,641	9,569
Office expense	6,030	4,170	3,641	529
Advertising	26,300	24,310	24,301	9
Computer maintenance and replacement	24,040	22,540	22,540	-
Insurance	7,930	13,910	13,904	6
Occupancy	41,760	40,970	37,320	3,650
Utilities	4,850	4,060	4,053	7
Communications	770	900	897	3
Operating supplies	35,840	32,970	25,567	7,403
Vehicle and equipment operating costs	800	1,030	1,015	15
Contract services	142,110	147,930	136,684	11,246
Professional development	4,130	4,270	4,011	259
Recruitment	500	70	69	1
Contingency	2,500	-	-	-
Special purchases, projects and studies:				
Youth Scholarships	-	1,690	1,690	-
Total Recreation	622,600	625,030	592,333	32,697

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER:

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Community Center:				
Salaries and benefits	\$ 43,420	\$ 44,840	\$ 44,835	\$ 5
Office expense	1,180	1,180	741	439
Advertising	400	400	353	47
Computer maintenance and replacement	5,950	5,950	5,950	-
Insurance	8,370	10,130	10,130	-
Occupancy	95,700	95,910	95,902	8
Utilities	45,350	46,540	46,531	9
Communications	1,440	1,570	1,555	15
Operating supplies	14,050	12,510	8,225	4,285
Vehicle and equipment operating costs	1,150	1,390	1,390	-
Contract services	17,880	15,120	6,083	9,037
Professional development	1,350	700	-	700
Recruitment	260	260	130	130
Total Community Center	236,500	236,500	221,825	14,675
Pavilion:				
Salaries and benefits	137,800	142,500	142,483	17
Office expense	1,340	1,340	799	541
Advertising	5,000	4,560	4,418	142
Computer maintenance and replacement	9,570	9,570	9,570	-
Insurance	4,490	5,000	4,991	9
Occupancy	39,030	39,030	39,030	-
Utilities	24,730	21,710	21,706	4
Communications	1,550	1,550	1,204	346
Operating supplies	9,250	7,060	5,014	2,046
Vehicle and equipment operating costs	1,270	1,270	355	915
Contract services	23,040	23,040	22,621	419
Professional development	400	400	250	150
Recruitment	310	310	257	53
Business Development	-	440	439	1
Special purchases, projects and studies:				
Flooring Projects	5,000	5,000	-	5,000
Total Pavilion	262,780	262,780	253,137	9,643

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER:

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Zoo:				
Salaries and benefits	\$ 714,660	\$ 667,580	\$ 573,115	\$ 94,465
Office expense	1,820	2,530	2,526	4
Advertising	1,000	-	-	-
Computer maintenance and replacement	39,140	39,140	39,135	5
Insurance	14,070	14,540	14,541	(1)
Occupancy	40,610	40,620	40,617	3
Utilities	41,550	53,820	53,811	9
Communications	580	1,240	1,234	6
Operating supplies	95,620	98,590	98,579	11
Vehicle and equipment operating costs	6,570	8,970	8,966	4
Contract services	58,930	67,210	67,203	7
Professional development	10,400	14,910	14,897	13
Recruitment	100	800	794	6
Gift shop retail	35,000	35,490	35,482	8
Special purchases, projects and studies:				
Refrigerator	-	410	406	4
Animal acquisition	-	3,550	3,550	-
Zoo exhibit improvements	-	3,050	3,049	1
Deferred maintenance projects	-	1,200	1,200	-
Capital outlay:				
New red panda exhibit	-	5,150	5,146	4
HVAC Units	-	3,170	3,168	2
Total Zoo	1,060,050	1,061,970	967,419	94,551

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public Works Administration:				
Salaries and benefits	\$ 721,930	\$ 721,860	\$ 719,245	\$ 2,615
Office expense	5,500	5,500	4,613	887
Advertising	250	250	155	95
Computer maintenance and replacement	53,280	54,880	54,862	18
Insurance	9,500	9,540	9,540	-
Occupancy charges	19,700	19,700	19,700	-
Communications	2,500	2,540	2,531	9
Operating supplies	17,000	15,200	15,121	79
Vehicle and equipment operating costs	9,300	11,720	11,716	4
Contract services	13,750	17,750	17,059	691
Professional development	5,000	4,700	4,160	540
Recruitment	800	800	86	714
Contingency	7,000	-	-	-
Special purchases, projects and studies:				
Document Scanning	10,000	10,000	2,558	7,442
Downtown Watershed Plan	30,000	45,000	38,770	6,230
Storm Water Permit Compliance	12,000	12,000	509	11,491
Local Area Management Plan (LAMP)	18,250	18,250	9,041	9,209
Five-Year Capital Improvement Plan	7,680	7,680	-	7,680
Total Public Works Administration	943,440	957,370	909,666	47,704

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public Works Operations:				
Salaries and benefits	\$ 202,960	\$ 203,860	\$ 203,849	\$ 11
Office expense	2,900	2,180	2,172	8
Computer maintenance and replacement	13,480	13,480	13,480	-
Insurance	3,770	4,050	4,042	8
Occupancy charges	11,320	12,280	12,271	9
Utilities	8,500	9,600	9,592	8
Communications	1,600	1,420	1,419	1
Operating supplies	1,400	1,480	1,461	19
Vehicle and equipment operating costs	1,400	6,230	6,225	5
Professional development	1,000	3,270	3,266	4
Total Public Works Operations	248,330	257,850	257,777	73
Parks:				
Salaries and benefits	393,580	364,370	295,344	69,026
Computer maintenance and replacement	8,790	8,790	8,790	-
Insurance	7,840	8,140	8,140	-
Occupancy	23,350	23,350	23,350	-
Utilities	149,000	139,930	139,256	674
Communications	2,000	2,230	2,223	7
Operating supplies	46,000	54,670	54,658	12
Vehicle and equipment operating costs	29,960	29,960	21,442	8,518
Contract services	27,900	57,110	57,105	5
Professional development	2,000	3,230	3,223	7
Recruitment	500	500	294	206
Special purchases, projects and studies:				
Memorial Benches	-	270	263	7
Capital outlay:				
Lake Park Lower Restroom Repair	-	3,370	3,362	8
Slurry Seal and Stripe Parking Lots	42,890	42,890	42,890	-
Total Parks	733,810	738,810	660,340	78,470

CITY OF ATASCADERO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DETAIL (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

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	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Measure F-14 Sales Tax:				
Capital outlay:				
2016 Pavement Rehabilitation Projects	\$ 243,100	\$ 243,100	\$ 37,356	\$ 205,744
2017 Pavement Resurfacing Projects	56,190	56,190	13,079	43,111
2017 Pavement Rehabilitation Projects	1,868,660	1,868,660	1,408,576	460,084
2018 Pavement Resurfacing Projects	92,500	-	-	-
2018 Pavement Rehabilitation Projects	1,007,750	1,100,250	200,032	900,218
2019 Pavement Rehabilitation Projects	44,040	44,040	25,301	18,739
Total Measure F-14 Sales Tax	3,312,240	3,312,240	1,684,344	1,627,896
Non-Departmental:				
Capital outlay:				
Copiers - Replacement	49,200	49,200	35,473	13,727
Postage Machine	-	3,330	3,321	9
Total Non-Departmental	49,200	52,530	38,794	13,736
Total expenditures	24,098,920	24,997,630	22,349,661	2,647,969
Excess of revenues over (under) expenditures	(1,930,640)	(1,984,640)	1,206,794	3,191,434
Other Financing Sources (Uses):				
Transfer from Community Facilities District Fund	540,250	540,250	540,250	-
Transfer to Gas Tax Fund for streets maintenance	(270,540)	(270,540)	(254,943)	15,597
Transfer to De Anza Landscape and Lighting District for open space maintenance	(1,400)	(1,400)	(1,400)	-
Total other financing sources (uses)	268,310	268,310	283,907	15,597
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (1,662,330)</u>	<u>\$ (1,716,330)</u>	1,490,701	<u>\$ 3,207,031</u>
Fund balance, June 30, 2017			11,392,595	
Fund balance, June 30, 2018			<u>\$ 12,883,296</u>	

CITY OF ATASCADERO

IN LIEU LOW/MODERATE INCOME HOUSING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 5,090	\$ 5,090	\$ 2,738	\$ (2,352)
Total revenues	5,090	5,090	2,738	(2,352)
Expenditures:				
Contract services	5,000	5,000	3,300	1,700
Administrative charges	42,930	42,930	42,930	-
Total expenditures	47,930	47,930	46,230	1,700
Net change in fund balance	<u>\$ (42,840)</u>	<u>\$ (42,840)</u>	(43,492)	<u>\$ (652)</u>
Fund balance, June 30, 2017			5,688,220	
Fund balance, June 30, 2018			<u>\$ 5,644,728</u>	

CITY OF ATASCADERO
CIRCULATION SYSTEM FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Impact fees	\$ 1,506,710	\$ 1,506,710	\$ 668,057	\$ (838,653)
Interest income	33,860	33,860	10,859	(23,001)
Total revenues	<u>1,540,570</u>	<u>1,540,570</u>	<u>678,916</u>	<u>(861,654)</u>
Expenditures:				
Capital outlay:				
101 @ Del Rio Interchange Project	674,110	674,110	152,829	521,281
Downtown Traffic Calming Improvements	<u>75,000</u>	<u>100,000</u>	<u>44,639</u>	<u>55,361</u>
Total expenditures	<u>749,110</u>	<u>774,110</u>	<u>197,468</u>	<u>576,642</u>
Net change in fund balance	<u>\$ 791,460</u>	<u>\$ 766,460</u>	<u>481,448</u>	<u>\$ (285,012)</u>
Fund balance, June 30, 2017			<u>2,072,218</u>	
Fund balance, June 30, 2018			<u>\$ 2,553,666</u>	

CITY OF ATASCADERO

FIRE AERIAL VEHICLE IMPACT FEES FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Impact fees	\$ 64,860	\$ 64,860	\$ 53,292	\$ (11,568)
Total revenues	64,860	64,860	53,292	(11,568)
Net change in fund balance	\$ 64,860	\$ 64,860	53,292	\$ (11,568)
Fund balance, June 30, 2017			(840,253)	
Fund balance, June 30, 2018			\$ (786,961)	

CITY OF ATASCADERO

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

For the Fiscal Year Ended June 30, 2018

The following table provides required supplementary information regarding the City's postemployment healthcare benefits.

Measurement Period	2018
Total OPEB Liability	
Annual required contribution	\$ 29,319
Interest on net OPEB obligation	5,583
Adjustment to annual required contribution	(21,499)
Annual OPEB cost (expense)	13,403
Contributions made	(7,400)
Net change in total OPEB Liability	6,003
Net OPEB obligation, beginning of year	186,100
Net OPEB obligation, end of year	<u>\$ 192,103</u>
Covered payroll	\$ 1,126,865
Total OPEB liability as a percentage of covered payroll	17.05%

Notes to Schedule:

There were no changes in assumptions reflected above.

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown

CITY OF ATASCADERO
SCHEDULE OF OPEB CONTRIBUTIONS
Last 10 Years
As of June 30, 2018

ITEM NUMBER: C-2
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As of June 30, 2018, the plan is not administered through a qualified trust. Therefore, there is no Actuarially Determined contribution (ADC). Benefit payments of \$7,400 were made on a pay-as-you-go basis for the fiscal year ended June 30, 2018.

CITY OF ATASCADERO

SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Cost-Sharing Multiple-Employer Defined Pension Plan - Last 10 Years*

As of June 30, 2018

	Fiscal Year End			
	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
City's proportion of the net pension liability	0.270324%	0.272255%	0.278260%	0.260250%
City's proportionate share of the net pension liability	\$ 26,808,749	\$ 23,558,492	\$ 19,099,492	\$ 16,193,941
City's covered - employee payroll **	\$ 10,102,742	\$ 8,658,607	\$ 8,348,164	\$ 8,181,272
City's proportionate share of the net pension liability as percentage of covered-employee payroll	265.36%	272.08%	228.79%	197.94%
Plan's total pension liability	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631
Plan's fiduciary net position	\$ 24,705,532,291	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515
Plan's fiduciary net position as a percentage of the plan's total pension liability	73.31%	74.06%	78.40%	79.82%

* Fiscal year 2015 was the first year of implementation, therefore, only four years are shown

** For the year ending on the measurement date

CITY OF ATASCADERO**SCHEDULE OF PENSION CONTRIBUTIONS**

Cost-Sharing Multiple-Employer Defined Pension Plan - Last 10 Years*

As of June 30, 2018

ITEM NUMBER: C-2
 DATE: 01/22/19
 ATTACHMENT: 1

Contributions for the fiscal year ending:

Contractually required contribution (actuarially determined)

Contributions in relation to the actuarially determined contributions

Contribution deficiency (excess)

6/30/2018	6/30/2017	6/30/2016	6/30/2015
\$ 2,685,953	\$ 2,489,485	\$ 2,255,947	\$ 2,227,093
(2,685,953)	(2,489,485)	(2,255,947)	(2,227,093)
\$ -	\$ -	\$ -	\$ -

Covered-employee payroll **

Contributions as a percentage of covered-employee payroll

\$ 9,337,993	\$ 10,102,742	\$ 8,658,607	\$ 8,348,164
28.76%	24.64%	26.05%	26.68%

Notes to Schedule

Valuation Date

06/30/17	06/30/16	06/30/15	06/30/14
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Methods and assumptions used to determine contribution rates:

Actuarial cost method

Asset valuation method

Amortization method

Discount rate

Price inflation

Salary increases

Mortality

Post retirement benefit

Entry age			
5-year smoothed market			
Level percentage of payroll, closed			
7.15%	7.65%	7.65%	7.50%
2.75%			
Varies by entry age and service			
Derived using CalPERS' Membership data for all funds			
Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter			

* Fiscal year 2015 was the first year of implementation, therefore, only four years are shown

** For the fiscal year ending on the date shown

OTHER SUPPLEMENTARY INFORMATION

CITY OF ATASCADERO

2010 BOND DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income- cash and investments	\$ 5,000	\$ 5,000	\$ 17,746	\$ 12,746
Interest income- 2010 reimbursement agreement with the Successor Agency to the RDA	743,830	743,830	739,619	(4,211)
Other 2010 Lease Revenue from Successor Agency	2,750	2,750	1,975	(775)
Total revenues	751,580	751,580	759,340	7,760
Expenditures:				
Contract Services	2,750	2,750	1,975	775
Principal	235,000	235,000	235,000	-
Interest	743,830	743,830	739,825	4,005
Total expenditures	981,580	981,580	976,800	4,780
Net change in fund balance	<u>\$ (230,000)</u>	<u>\$ (230,000)</u>	(217,460)	<u>\$ 12,540</u>
Fund balance, June 30, 2017			16,770,795	
Fund balance, June 30, 2018			<u>\$ 16,553,335</u>	

The City has established the following special revenue funds in order to account for the proceeds from revenue sources that are restricted to expenditures for specified purposes:

Supplemental Law Enforcement Services Fund

This fund is used for Supplemental Law Enforcement Services grant monies received, and to account for the allowed expenditures of these funds.

Atascadero Tourism Business Improvement District Fund

The City established the Atascadero Tourism Business Improvement District (ATBID) effective June 1, 2013 for the purpose of funding tourism promotion and increasing stays at the lodging businesses in Atascadero. A two percent (2%) assessment is placed on the nightly rent of all occupied rooms or spaces for all transient occupancies in Atascadero.

Community Development Block Grant Fund

This fund is used for Community Development Block Grant monies received from the federal government. These funds must be used for low or moderate income projects, or to eliminate blight in the community. The City receives an annual allocation from the federal government, based on the number of qualified persons in the City. The City holds an annual hearing to determine how this money is to be spent.

Tree Plant Fund

This fund accounts for Tree Mitigation Fees and the expenditure thereof. A fee may be paid by a developer in lieu of planting a tree on improved property. These funds are then used for the preservation and planting of the City's native trees.

Gas Tax Fund

This fund accounts for gas tax monies received from the State, which are expended to maintain various streets within the City.

Local Transportation Fund

This fund accounts for Local Transportation funds that can be used for streets projects. Local Transportation Funds (LTF) must first be spent to meet any reasonable community transit need. The City uses LTF monies to run the City's bus system and to contribute to San Luis Obispo Regional Transit Authority. Any remaining funds are accounted for in this fund and must be used for bikepath projects and streets projects.

Street Assessment Fund

This fund accounts for assessments collected to maintain various streets within the City.

General Government Facilities Fees Fund

General Facilities are those limited to office or work buildings and equipment used by City staff to undertake their daily duties. As the City increases in both population and new businesses, City Hall and the City maintenance yard will increasingly become overcrowded with growing staff. New facilities and equipment are necessary to extend the current level of service to these new residents and businesses. Because the need for these new facilities and additional equipment is directly related to new construction, a *General Government Facilities Fee* is charged on all new development. These fees are deposited into this fund and then used for expanded/new facilities and equipment as listed in the *Atascadero Master Facilities Plan*, updated February 2006.

CITY OF ATASCADERO

NONMAJOR GOVERNMENTAL FUNDS OVERVIEW (continued)

SPECIAL REVENUE FUNDS (continued)

Storm Drainage Facilities Fees Fund

As vacant land is developed and bare dirt or turf is replaced with impervious rooftop, parking lots, driveways, pools and sidewalks, water runoff increases; the cumulative effects of this additional runoff is managed by constructing the appropriate capital facilities. Because the need for these capital facilities is directly related to new construction, a *Storm Drainage Facilities Fee* is charged on all new development. These fees are deposited into this fund and then used for the construction of the new/increased/improved capital facilities as listed in the *Atascadero Master Facilities Plan*, updated February 2006.

Law Enforcement Facilities Fees Fund

Residents and businesses benefit from both direct (response to a call for service) and indirect (crime prevention programs, patrol, etc.) law enforcement services. The addition of new residential units and new businesses necessarily increase the demand upon the law enforcement service level by creating more direct calls for service, more area requiring preventive patrol, and in general, more opportunities for crimes to be committed. If law enforcement capabilities are not expanded, then the increasing number of calls for service will reduce the amount of time available for preventive patrol. Because the need for additional police officers, as well as the need for these officers to be equipped and housed, is directly related to new construction, a *Law Enforcement Facilities Fee* is charged on all new development. These fees are deposited into this fund and then used for the purchase/construction of equipment/stations for these additional officers as listed in the *Atascadero Master Facilities Plan*, updated February 2006.

Fire Facilities Fees Fund

In addition to providing fire prevention programs, the Fire Department responds to calls for fire and medical services from two existing fire stations. Each new residential and business development creates more calls for service, increasing the likelihood of simultaneous (and thus competing) calls for service. Additionally, as development spreads further from the existing stations, response times will necessarily increase, taking the existing engine companies out of service for greater periods of time. These developments create the need for additional facilities and equipment. Because the need for these new facilities and additional equipment is directly related to new construction, a *Fire Facilities Fee* is charged on all new development. These fees are deposited into this fund and then used for the relocation/construction of fire stations, as well as the purchase of additional equipment, as listed in the *Atascadero Master Facilities Plan*, updated February 2006.

Open Space Acquisition Fees Fund

Future residential development, by increasing the City's population, will by definition impact the City's available land and decrease open space. Without open space acquisition, the City's remaining available land will be developed and the City will lose much of its historic charm that is so valuable to residents. Because the need for land acquisition is directly related to new construction, an *Open Space Acquisition Fee* is charged on all new development. These fees are deposited into this fund and then used for land acquisitions as listed in the *Atascadero Master Facilities Plan*, updated February 2006.

Parkland Facilities Fees Fund

Residential development, by increasing the City's population, necessarily impacts the City's park system. Without future parkland and continued development of currently owned, but underutilized parkland, the City's parks become overcrowded and overused with the ultimate result becoming a negative experience for park users. Because the need for new facilities and land acquisitions is directly related to new construction, a *Parkland Facilities Fee* is charged on all new development. These fees are deposited into this fund and then used for expanded/new facilities and land acquisitions as listed in the *Atascadero Master Facilities Plan*, updated February 2006.

CITY OF ATASCADERO

NONMAJOR GOVERNMENTAL FUNDS OVERVIEW (continued)

SPECIAL REVENUE FUNDS (continued)

Public Facilities Fees Fund

The City currently has existing community use facilities, such as the Lake Pavilion and the Colony Park Community Center. Future additional residential units will increase the City's population, placing ever greater demands on existing community use facilities, and new or expanded community center space will be necessary to extend the current level of service to new residents. Because the need for these new facilities is directly related to new construction, a *Public Facilities Fee* is charged on all new residential development. These fees are deposited into this fund and then used for expanded/new community use facilities as listed in the *Atascadero Master Facilities Plan*, updated February 2006.

Library Expansion Facilities Fees Fund

The County Public Library System currently owns and maintains a library facility within the City limits. While the City is not the library service provider, the City's residents and businesses have an interest in maintaining the library service levels. Additional development within the City will increase the demand for a larger sized library and for more volumes within the library. Because the need for expanded library services is directly related to new construction, a *Library Facilities Fee* is charged on all new development. These fees are deposited into this fund and then are used for the expansion of the amount of library facility space and the expansion of the library collection as listed in the *Atascadero Master Facilities Plan*, updated February 2006. In December 2010, the County purchased a new library facility at 6555 Capistrano Avenue. The City contributed a total of \$315,180 toward the library expansion during the period spanning December 2010 through June 2014. This amount was a combination of impact fees and other funds that had been set aside for library expansion.

Community Facilities District Fund

This fund is used to account for fees assessed in the Community Facilities District. This district was established in 2005 in order to provide funding for expansion of police, fire, and parks services as the City's population increases. Developments that must obtain Planning Commission approval are subject to annexation into the city-wide district.

Apple Valley Street & Storm Drain Assessment District Fund

This fund is used to account for fees assessed in a development known as The Colony at Apple Valley. This assessment district was established in 2005 in order to maintain the street and storm drain related improvements in the development.

Apple Valley Landscape & Lighting Assessment District Fund

This fund is used to account for fees assessed in a development known as The Colony at Apple Valley. This assessment district was established in 2005 in order to maintain the landscape and lighting related improvements in the development.

Las Lomas Street & Storm Drain Assessment District Fund

This fund is used to account for fees assessed in a development known as Las Lomas. This assessment district was established in 2005 in order to maintain the street and storm drain related improvements in the development.

Las Lomas Landscape & Lighting Assessment District Fund

This fund is used to account for fees assessed in a development known as Las Lomas. This assessment district was established in 2005 in order to maintain the landscape and lighting related improvements in the development.

CITY OF ATASCADERO

NONMAJOR GOVERNMENTAL FUNDS OVERVIEW (continued)

SPECIAL REVENUE FUNDS (continued) AND CAPITAL PROJECTS FUNDS

De Anza Street & Storm Drain Assessment District Fund

This fund is used to account for fees assessed in a development known as De Anza Estates. This assessment district was established in 2005 in order to maintain the street and storm drain related improvements in the development.

De Anza Landscape & Lighting Assessment District Fund

This fund is used to account for fees assessed in a development known as De Anza Estates. This assessment district was established in 2005 in order to maintain the landscape and lighting related improvements in the development.

The City has established the following capital projects funds in order to account for expenditures for specific capital project purposes:

Capital Projects Fund

This fund is typically used to account for the financial resources used in the construction or acquisition of major capital facilities or equipment obtained by special funding such as grants or dedicated reimbursements. It is also used as a type of clearinghouse for projects with many different sources of funding.

2010 Bond Proceeds Master Agreement Fund

On September 1, 2010, the City issued \$16,010,000 in Lease Revenue Bonds to be used for various Redevelopment public improvement projects within the downtown area. As part of June 2011 state legislation, all redevelopment agencies throughout the State were dissolved. At that time, the Redevelopment Agency was in the process of expending the 2010 bond proceeds in accordance with the bond covenants which require the funds to be spent on the Historic City Hall Rehabilitation Project with the remaining funds to be spent on other eligible redevelopment projects. The Historic City Hall Rehabilitation Project has been completed, leaving remaining 2010 bond proceeds. In accordance with redevelopment dissolution law, in August of 2014, the City and the Successor Agency entered into a Master Agreement, transferring all remaining bond proceeds to the City to be spent on projects for which the bonds were originally sold. This fund accounts for the expenditure of those 2010 bond funds transferred to the City under the Master Agreement.

Youth Center Construction Fund

This fund accounts for funds received for and expended on the construction of the Colony Park Community Center.

CITY OF ATASCADERO

NONMAJOR GOVERNMENTAL FUNDS OVERVIEW (continued)

DEBT SERVICE FUND

The City has established the debt service fund to account for the payment and accumulation of resources related to long-term debt principal and interest for the following debt issues:

1992 Street Assessment Improvement Fund

This fund is used to account for fees assessed in the 1992 Street Improvement Assessment District and the related debt service payments. This assessment district was formed in 1992 in order to construct street improvements in two non-contiguous sections of the City: the Las Encinas area and the 3F Meadows area. In accordance with the original bond agreement, the District called \$180,000 in aggregate principal bonds on September 2, 1995. The remainder of the funds were used during fiscal year 2017/2018 for maintenance paving in the district.

CITY OF ATASCADERO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Special Revenue Funds					
	Supplemental Law Enforcement Services Fund	Atascadero Tourism Business Improvement District Fund	Community Development Block Grant Fund	Tree Plant Fund	Gas Tax Fund	Local Transportation Fund
ASSETS						
Cash and investments	\$ 95,682	\$ 275,354	\$ -	\$ 111,987	\$ 49,339	\$ 4,055,922
Receivables:						
Federal distributions due	-	-	34,441	-	-	121,980
Due from State of California	-	-	-	-	65,919	1,298
Due from County of San Luis Obispo	-	-	-	-	-	4,722
Accrued interest	257	677	-	283	69	9,669
Other receivables	-	74,557	363	-	-	-
Due from other funds	-	-	-	-	-	-
Prepaid items	-	-	-	-	730	-
Notes receivable	-	-	-	120,000	-	-
Total assets	<u>\$ 95,939</u>	<u>\$ 350,588</u>	<u>\$ 34,804</u>	<u>\$ 232,270</u>	<u>\$ 116,057</u>	<u>\$ 4,193,591</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 17,832	\$ 31,909	\$ 4,800	\$ 11,387	\$ 32,442	\$ 73,232
Accrued salaries and benefits	281	-	-	-	11,093	-
Due to other funds	-	-	30,004	-	-	-
Unearned revenue	77,826	-	-	-	-	-
Total liabilities	<u>95,939</u>	<u>31,909</u>	<u>34,804</u>	<u>11,387</u>	<u>43,535</u>	<u>73,232</u>
Fund Balances:						
Nonspendable	-	-	-	-	730	-
Restricted	-	318,679	-	220,883	71,792	4,120,359
Assigned for road projects	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>318,679</u>	<u>-</u>	<u>220,883</u>	<u>72,522</u>	<u>4,120,359</u>
Total liabilities and fund balances	<u>\$ 95,939</u>	<u>\$ 350,588</u>	<u>\$ 34,804</u>	<u>\$ 232,270</u>	<u>\$ 116,057</u>	<u>\$ 4,193,591</u>

CITY OF ATASCADERO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Special Revenue Funds					
	Street Assessment Fund	General Government Facilities Fees Fund	Storm Drainage Facilities Fees Fund	Law Enforcement Facilities Fees Fund	Fire Facilities Fees Fund	Open Space Acquisition Fees Fund
ASSETS						
Cash and investments	\$ 74,076	\$ 99,415	\$ 610,960	\$ 212,572	\$ 335,365	\$ 559,663
Receivables:						
Federal distributions due	-	-	-	-	-	-
Due from State of California	-	-	-	-	-	-
Due from County of San Luis Obispo	-	-	-	-	-	-
Accrued interest	179	197	1,485	501	780	1,309
Other receivables	-	309	1,450	2,023	2,625	731
Due from other funds	-	-	-	-	787,804	-
Prepaid items	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total assets	<u>\$ 74,255</u>	<u>\$ 99,921</u>	<u>\$ 613,895</u>	<u>\$ 215,096</u>	<u>\$ 1,126,574</u>	<u>\$ 561,703</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 26	\$ -
Accrued salaries and benefits	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>-</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	74,255	99,921	613,895	215,096	1,126,548	561,703
Assigned for road projects	-	-	-	-	-	-
Total fund balances	<u>74,255</u>	<u>99,921</u>	<u>613,895</u>	<u>215,096</u>	<u>1,126,548</u>	<u>561,703</u>
Total liabilities and fund balances	<u>\$ 74,255</u>	<u>\$ 99,921</u>	<u>\$ 613,895</u>	<u>\$ 215,096</u>	<u>\$ 1,126,574</u>	<u>\$ 561,703</u>

CITY OF ATASCADERO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Special Revenue Funds					
	Parkland Facilities Fees Fund	Public Facilities Fees Fund	Library Expansion Facilities Fees Fund	Community Facilities District Fund	Apple Valley Street & Storm Drain Assessment District Fund	Apple Valley Landscape & Lighting Assessment District Fund
ASSETS						
Cash and investments	\$ 1,405,183	\$ 658,509	\$ 163,456	\$ 248,431	\$ 406,704	\$ 213,630
Receivables:						
Federal distributions due	-	-	-	-	-	-
Due from State of California	-	-	-	-	-	-
Due from County of San Luis Obispo	-	-	-	1,625	-	-
Accrued interest	3,266	1,568	381	554	980	514
Other receivables	-	-	1,013	-	-	-
Due from other funds	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total assets	<u>\$ 1,408,449</u>	<u>\$ 660,077</u>	<u>\$ 164,850</u>	<u>\$ 250,610</u>	<u>\$ 407,684</u>	<u>\$ 214,144</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ -	\$ 165	\$ -	\$ -	\$ 124	\$ 4,287
Accrued salaries and benefits	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	75,000
Total liabilities	<u>-</u>	<u>165</u>	<u>-</u>	<u>-</u>	<u>124</u>	<u>79,287</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	1,408,449	659,912	164,850	250,610	407,560	134,857
Assigned for road projects	-	-	-	-	-	-
Total fund balances	<u>1,408,449</u>	<u>659,912</u>	<u>164,850</u>	<u>250,610</u>	<u>407,560</u>	<u>134,857</u>
Total liabilities and fund balances	<u>\$ 1,408,449</u>	<u>\$ 660,077</u>	<u>\$ 164,850</u>	<u>\$ 250,610</u>	<u>\$ 407,684</u>	<u>\$ 214,144</u>

CITY OF ATASCADERO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Special Revenue Funds				Capital Projects Funds	
	Las Lomas Street & Storm Drain Assessment District Fund	Las Lomas Landscape & Lighting Assessment District Fund	De Anza Street & Storm Drain Assessment District Fund	De Anza Landscape & Lighting Assessment District Fund	Capital Projects Fund	2010 Bond Proceeds Master Agreement Fund
ASSETS						
Cash and investments	\$ 343,863	\$ 174,778	\$ 420,062	\$ 118,943	\$ 161,969	\$ 289,840
Receivables:						
Federal distributions due	-	-	-	-	-	-
Due from State of California	-	-	-	-	267,880	-
Due from County of San Luis Obispo	264	243	-	-	-	-
Accrued interest	822	424	1,008	285	697	806
Other receivables	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total assets	<u>\$ 344,949</u>	<u>\$ 175,445</u>	<u>\$ 421,070</u>	<u>\$ 119,228</u>	<u>\$ 430,546</u>	<u>\$ 290,646</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 124	\$ 4,284	\$ 124	\$ 1,283	\$ 72,558	\$ -
Accrued salaries and benefits	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	16,673	-
Total liabilities	<u>124</u>	<u>4,284</u>	<u>124</u>	<u>1,283</u>	<u>89,231</u>	<u>-</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	344,825	171,161	420,946	117,945	125,905	290,646
Assigned for road projects	-	-	-	-	215,410	-
Total fund balances	<u>344,825</u>	<u>171,161</u>	<u>420,946</u>	<u>117,945</u>	<u>341,315</u>	<u>290,646</u>
Total liabilities and fund balances	<u>\$ 344,949</u>	<u>\$ 175,445</u>	<u>\$ 421,070</u>	<u>\$ 119,228</u>	<u>\$ 430,546</u>	<u>\$ 290,646</u>

CITY OF ATASCADERO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	Capital Projects Funds	Debt Service Fund	
	Youth Center Construction Fund	1992 Street Assessment Improvement Fund	TOTALS
ASSETS			
Cash and investments	\$ 7,782	\$ -	\$ 11,093,485
Receivables:			
Federal distributions due	-	-	156,421
Due from State of California	-	-	335,097
Due from County of San Luis Obispo	-	-	6,854
Accrued interest	-	-	26,711
Other receivables	-	-	83,071
Due from other funds	-	-	787,804
Prepaid items	-	-	730
Notes receivable	-	-	120,000
Total assets	<u>\$ 7,782</u>	<u>\$ -</u>	<u>\$ 12,610,173</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ -	\$ -	\$ 254,577
Accrued salaries and benefits	-	-	11,374
Due to other funds	-	-	30,004
Unearned revenue	5,177	-	174,676
Total liabilities	<u>5,177</u>	<u>-</u>	<u>470,631</u>
Fund Balances:			
Nonspendable	-	-	730
Restricted	2,605	-	11,923,402
Assigned for road projects	-	-	215,410
Total fund balances	<u>2,605</u>	<u>-</u>	<u>12,139,542</u>
Total liabilities and fund balances	<u>\$ 7,782</u>	<u>\$ -</u>	<u>\$ 12,610,173</u>

CITY OF ATASCADERO

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For Fiscal Year Ended June 30, 2018

ITEM NUMBER: C-2
 DATE: 01/22/19
 ATTACHMENT: 1

	Special Revenue Funds					
	Supplemental Law Enforcement Services Fund	Atascadero Tourism Business Improvement District Fund	Community Development Block Grant Fund	Tree Plant Fund	Gas Tax Fund	Local Transportation Fund
Revenues:						
Taxes and assessments	\$ -	\$ 275,295	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	15,541	-	-
Intergovernmental revenues	129,008	-	201,503	-	877,097	898,148
Use of money and property	321	1,580	-	564	(336)	9,904
Other revenues	-	-	-	-	5,047	-
Total revenues	129,329	276,875	201,503	16,105	881,808	908,052
Expenditures:						
Salaries and benefits	31,295	-	-	-	397,194	-
Supplies and services	28,767	323,637	7,068	36,865	550,908	-
Special projects and studies	7,128	-	8,000	5,760	6,200	33,055
Capital outlay	62,355	-	186,435	-	1,724	728,753
Total expenditures	129,545	323,637	201,503	42,625	956,026	761,808
Excess of revenues over (under) expenditures	(216)	(46,762)	-	(26,520)	(74,218)	146,244
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	254,943	109,268
Transfers out	(710)	-	-	-	(109,268)	-
Total other financing sources (uses)	(710)	-	-	-	145,675	109,268
Net change in fund balances	(926)	(46,762)	-	(26,520)	71,457	255,512
Fund balance, June 30, 2017	926	365,441	-	247,403	1,065	3,864,847
Fund balance, June 30, 2018	\$ -	\$ 318,679	\$ -	\$ 220,883	\$ 72,522	\$ 4,120,359

CITY OF ATASCADERO

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)

For Fiscal Year Ended June 30, 2018

ITEM NUMBER:

C-2

DATE:

01/22/19

ATTACHMENT:

1

	Special Revenue Funds					
	Street Assessment Fund	General Government Facilities Fees Fund	Storm Drainage Facilities Fees Fund	Law Enforcement Facilities Fees Fund	Fire Facilities Fees Fund	Open Space Acquisition Fees Fund
Revenues:						
Taxes and assessments	\$ 2,160	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	63,696	58,112	35,004	77,447	97,952
Intergovernmental revenues	-	-	-	-	-	-
Use of money and property	258	(81)	2,110	415	11,294	1,237
Other revenues	-	-	-	-	-	-
Total revenues	2,418	63,615	60,222	35,419	88,741	99,189
Expenditures:						
Salaries and benefits	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Special projects and studies	-	-	-	-	2,312	-
Capital outlay	-	40,710	21,432	-	-	3,741
Total expenditures	-	40,710	21,432	-	2,312	3,741
Excess of revenues over (under) expenditures	2,418	22,905	38,790	35,419	86,429	95,448
Other Financing Sources (Uses):						
Transfers in	-	710	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	710	-	-	-	-
Net change in fund balances	2,418	23,615	38,790	35,419	86,429	95,448
Fund balance, June 30, 2017	71,837	76,306	575,105	179,677	1,040,119	466,255
Fund balance, June 30, 2018	\$ 74,255	\$ 99,921	\$ 613,895	\$ 215,096	\$ 1,126,548	\$ 561,703

CITY OF ATASCADERO

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)

For Fiscal Year Ended June 30, 2018

ITEM NUMBER:

C-2

DATE:

01/22/19

ATTACHMENT:

1

Special Revenue Funds						
	Parkland Facilities Fees Fund	Public Facilities Fees Fund	Library Expansion Facilities Fees Fund	Community Facilities District Fund	Apple Valley Street & Storm Drain Assessment District Fund	Apple Valley Landscape & Lighting Assessment District Fund
Revenues:						
Taxes and assessments	\$ -	\$ -	\$ -	\$ 537,000	\$ 28,000	\$ 73,500
Licenses and permits	236,343	56,655	27,696	-	-	-
Intergovernmental revenues	-	-	-	-	-	-
Use of money and property	6,297	2,111	331	(286)	1,282	552
Other revenues	-	-	-	-	-	-
Total revenues	242,640	58,766	28,027	536,714	29,282	74,052
Expenditures:						
Salaries and benefits	-	-	-	-	-	-
Supplies and services	-	-	-	4,995	4,334	60,570
Special projects and studies	-	-	-	-	-	-
Capital outlay	29,305	23,546	-	-	-	-
Total expenditures	29,305	23,546	-	4,995	4,334	60,570
Excess of revenues over (under) expenditures	213,335	35,220	28,027	531,719	24,948	13,482
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(460,000)	-	-	(540,250)	-	-
Total other financing sources (uses)	(460,000)	-	-	(540,250)	-	-
Net change in fund balances	(246,665)	35,220	28,027	(8,531)	24,948	13,482
Fund balance, June 30, 2017	1,655,114	624,692	136,823	259,141	382,612	121,375
Fund balance, June 30, 2018	\$ 1,408,449	\$ 659,912	\$ 164,850	\$ 250,610	\$ 407,560	\$ 134,857

CITY OF ATASCADERO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)

For Fiscal Year Ended June 30, 2018

 ITEM NUMBER: C-2
 DATE: 01/22/19
 ATTACHMENT: 1

	Special Revenue Funds				Capital Projects Funds	
	Las Lomas Street & Storm Drain Assessment District Fund	Las Lomas Landscape & Lighting Assessment District Fund	De Anza Street & Storm Drain Assessment District Fund	De Anza Landscape & Lighting Assessment District Fund	Capital Projects Fund	2010 Bond Proceeds Master Agreement Fund
Revenues:						
Taxes and assessments	\$ 69,525	\$ 63,731	\$ 40,090	\$ 15,874	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	270,486	-
Use of money and property	701	608	1,206	391	298	10,675
Other revenues	-	-	-	-	-	-
Total revenues	70,226	64,339	41,296	16,265	270,784	10,675
Expenditures:						
Salaries and benefits	-	-	-	-	-	-
Supplies and services	8,834	61,043	4,387	15,829	-	-
Special projects and studies	-	5,105	-	-	-	-
Capital outlay	-	-	-	-	335,882	2,064,191
Total expenditures	8,834	66,148	4,387	15,829	335,882	2,064,191
Excess of revenues over (under) expenditures	61,392	(1,809)	36,909	436	(65,098)	(2,053,516)
Other Financing Sources (Uses):						
Transfers in	-	-	-	1,400	-	460,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,400	-	460,000
Net change in fund balances	61,392	(1,809)	36,909	1,836	(65,098)	(1,593,516)
Fund balance, June 30, 2017	283,433	172,970	384,037	116,109	406,413	1,884,162
Fund balance, June 30, 2018	\$ 344,825	\$ 171,161	\$ 420,946	\$ 117,945	\$ 341,315	\$ 290,646

CITY OF ATASCADERO

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)

For Fiscal Year Ended June 30, 2018

	Capital Projects Funds	Debt Service Fund	
	Youth Center Construction Fund	1992 Street Assessment Improvement Fund	TOTALS
Revenues:			
Taxes and assessments	\$ -	\$ -	\$ 1,105,175
Licenses and permits	-	-	668,446
Intergovernmental revenues	-	-	2,376,242
Use of money and property	(94)	792	52,130
Other revenues	-	-	5,047
Total revenues	(94)	792	4,207,040
Expenditures:			
Salaries and benefits	-	-	428,489
Supplies and services	-	-	1,107,237
Special projects and studies	-	173,355	240,915
Capital outlay	-	-	3,498,074
Total expenditures	-	173,355	5,274,715
Excess of revenues over (under) expenditures	(94)	(172,563)	(1,067,675)
Other Financing Sources (Uses):			
Transfers in	-	-	826,321
Transfers out	-	-	(1,110,228)
Total other financing sources (uses)	-	-	(283,907)
Net change in fund balances	(94)	(172,563)	(1,351,582)
Fund balance, June 30, 2017	2,699	172,563	13,491,124
Fund balance, June 30, 2018	\$ 2,605	\$ -	\$ 12,139,542

CITY OF ATASCADERO

SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
S.L.E.S.F. Grant	\$ 47,420	\$ 128,560	\$ 129,008	\$ 448
Interest income	-	-	321	321
Total revenues	47,420	128,560	129,329	769
Expenditures:				
Employee services	23,290	31,320	31,295	25
Communications	4,880	-	-	-
Operating supplies	2,790	19,140	19,137	3
Contract services	(1,710)	7,630	7,630	-
Professional development	-	2,000	2,000	-
Special projects and purchases:				
Personal Protective Vests	(5,250)	2,640	2,635	5
Critical Response Equipment	-	4,500	4,493	7
Capital outlay:				
Camera	-	13,190	13,182	8
Evidence Processing Shelter	-	15,510	15,503	7
Cellebrite Forensic Exam Tool	-	1,980	3,319	(1,339)
Cash Contribution to Vehicle and Equipment				
Replacement Fund for Vehicle Purchase	23,830	30,350	30,351	(1)
Total expenditures	47,830	128,260	129,545	(1,285)
Excess of revenues over (under) expenditures	(410)	300	(216)	2,054
Other Financing Sources (Uses):				
Transfer out to General Government Facilities Fund for Vehicle Purchase	-	(710)	(710)	-
Total other financing sources (uses)	-	(710)	(710)	-
Net change in fund balance	\$ (410)	\$ (410)	(926)	\$ 2,054
Fund balance, June 30, 2017			926	
Fund balance, June 30, 2018			\$ -	

CITY OF ATASCADERO

ATASCADERO TOURISM BUSINESS IMPROVEMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tourism assessments	\$ 261,250	\$ 261,250	\$ 275,295	\$ 14,045
Interest income	3,810	3,810	1,580	(2,230)
Total revenues	265,060	265,060	276,875	11,815
Expenditures:				
Office expense	5,000	5,000	-	5,000
Advertising	95,000	144,600	144,521	79
Operating Supplies	2,000	2,000	-	2,000
Contract services	275,000	221,770	172,938	48,832
Professional Development	-	430	425	5
Business Development	-	3,000	3,000	-
Administration	2,610	2,810	2,753	57
Total expenditures	379,610	379,610	323,637	55,973
Net change in fund balance	<u>\$ (114,550)</u>	<u>\$ (114,550)</u>	(46,762)	<u>\$ 67,788</u>
Fund balance, June 30, 2017			365,441	
Fund balance, June 30, 2018			<u>\$ 318,679</u>	

CITY OF ATASCADERO
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Community Development Block Grant	\$ 183,470	\$ 376,270	\$ 201,503	\$ (174,767)
Total revenues	183,470	376,270	201,503	(174,767)
Expenditures:				
Administration:				
CDBG general administration	-	15,270	7,068	8,202
Special projects and studies:				
Youth Scholarships	-	8,000	8,000	-
Capital outlay:				
Atascadero Mall/Ardilla Barrier Removal	183,470	185,290	179,734	5,556
South El Camino Real Barrier Removal	-	1,360	1,354	6
Traffic Way and El Camino Real Barrier Removal	-	166,350	5,347	161,003
Total expenditures	183,470	376,270	201,503	174,767
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, June 30, 2017			-	
Fund balance, June 30, 2018			\$ -	

CITY OF ATASCADERO
TREE PLANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permits and fees	\$ 10,000	\$ 10,000	\$ 15,541	\$ 5,541
Interest income	900	900	564	(336)
Total revenues	10,900	10,900	16,105	5,205
Expenditures:				
Office expense	100	-	-	-
Utilities	600	600	-	600
Operating Supplies	100	700	698	2
Contract services	36,000	36,000	21,967	14,033
Professional Development	500	-	-	-
Administrative charges	14,200	14,200	14,200	-
Special projects				
Native Tree Replanting	15,000	15,000	5,760	9,240
Total expenditures	66,500	66,500	42,625	23,875
Net change in fund balance	\$ (55,600)	\$ (55,600)	(26,520)	\$ 29,080
Fund balance, June 30, 2017			247,403	
Fund balance, June 30, 2018			\$ 220,883	

CITY OF ATASCADERO

GAS TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
SB1 - Traffic Congestion Relief Fund Loan Repayment	\$ 35,330	\$ 35,330	\$ 35,128	\$ (202)
Section 2103 highway users tax	123,630	123,630	120,332	(3,298)
Section 2105 highway users tax	179,480	179,480	167,684	(11,796)
Section 2106 highway users tax	113,200	113,200	131,245	18,045
Section 2107 highway users tax	231,860	231,860	218,231	(13,629)
Section 2107.5 highway users tax	6,000	6,000	6,000	-
SB1- Section 2031 Road Maintenance & Rehabilitation	178,070	178,070	181,060	2,990
FEMA Revenue- 2017 Storms	-	-	13,660	13,660
OES Revenue- 2017 Storms	-	-	3,757	3,757
Other Revenues	-	-	5,047	5,047
Interest income	40	40	(336)	(376)
Total revenues	867,610	867,610	881,808	14,198
Expenditures:				
Salaries and benefits	421,080	412,980	397,194	15,786
Computer maintenance & replacement	4,360	4,360	3,360	1,000
Insurance	11,980	12,260	12,251	9
Utilities	109,000	111,320	111,319	1
Communications	1,500	1,650	1,650	-
Operating supplies and equipment	41,400	49,090	49,082	8
Vehicle and equipment operations	53,460	52,700	52,694	6
Contract services	114,510	112,450	112,442	8
Professional development	2,750	1,500	1,500	-
Department Service Allocation	111,110	111,110	111,110	-
Administrative charges	95,500	95,500	95,500	-
Special projects				
Traffic Signal Battery Back-up Repair	-	6,500	6,200	300
Capital outlay:				
Cash Contribution to Vehicle & Equipment				
Maintenance Fund for Vehicle	-	1,730	1,724	(6)
Total expenditures	966,650	973,150	956,026	17,112
Excess of revenues over (under) expenditures	(99,040)	(105,540)	(74,218)	31,310

CITY OF ATASCADERO

GAS TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (continued)

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Other Financing Sources (Uses):				
Transfer from General Fund for street maintenance	\$ 270,540	\$ 270,540	\$ 254,943	\$ (15,597)
Transfer out to Local Transportation Fund for El Camino Real Rehabilitation	(178,000)	(178,000)	(109,268)	68,732
Total other financing sources (uses)	92,540	92,540	145,675	53,135
Net change in fund balance	<u>\$ (6,500)</u>	<u>\$ (13,000)</u>	71,457	<u>\$ 84,445</u>
Fund balance, June 30, 2017			1,065	
Fund balance, June 30, 2018			<u>\$ 72,522</u>	

CITY OF ATASCADERO

LOCAL TRANSPORTATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Local Transportation Tax- Article 3 Bike Paths	\$ 23,560	\$ 23,560	\$ 23,040	\$ (520)
Local Transportation Tax- Article 8 Streets	548,550	548,550	573,256	24,706
HBRR Grant - Via Avenue Bridge	1,288,110	1,276,530	134,584	(1,141,946)
HBRR Grant - Santa Lucia Bridge	499,350	469,500	156,530	(312,970)
USHA- El Camino Real Pavement Rehabilitation	452,000	452,000	-	(452,000)
RSHA- ATP Application	-	4,730	4,722	(8)
FEMA Revenue- 2017 Storms	-	-	4,718	4,718
OES Revenue- 2017 Storms	-	-	1,298	1,298
Interest income	37,750	37,750	9,904	(27,846)
Total revenues	2,849,320	2,812,620	908,052	(1,904,568)
Expenditures:				
Special projects:				
Pavement Crack Sealing Preservation Program	30,000	30,000	-	30,000
Hwy 41 Pavement Delineation for Bike Lane	-	35,000	28,333	6,667
ATP Grant Application-Atascadero Avenue/Mall Connection	-	4,730	4,722	8
Capital outlay:				
East Front Overlay	300,000	298,900	9,046	289,854
Santa Barbara Road Overlay Project	-	300,670	245,286	55,384
San Anselmo Rehabilitation Project- East	220,000	302,480	36,390	266,090
El Camino Real Rehabilitation Project- North	630,000	884,590	109,268	775,322
Viejo Camino Road Rehabilitation Project	10,000	10,000	7,654	2,346
Santa Lucia Road Rehabilitation Project	30,000	30,000	11,155	18,845
Via Avenue Bridge Replacement	1,455,000	1,441,930	153,424	1,288,506
Santa Lucia Road Bridge Replacement	499,350	469,500	156,530	312,970
Total expenditures	3,174,350	3,807,800	761,808	3,045,992
Excess of revenues over (under) expenditures	(325,030)	(995,180)	146,244	1,141,424
Other Financing Sources (Uses):				
Transfer from Gas Tax Fund for El Camino Real Rehabilitation Project	178,000	178,000	109,268	(68,732)
Total other financing sources (uses)	178,000	178,000	109,268	(68,732)
Net change in fund balance	\$ (147,030)	\$ (817,180)	255,512	\$ 1,072,692
Fund balance, June 30, 2017			3,864,847	
Fund balance, June 30, 2018			\$ 4,120,359	

CITY OF ATASCADERO
STREET ASSESSMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments- Lobos Lane	\$ 280	\$ 280	\$ 280	\$ -
Taxes and special assessments- Sonora / Pinal	380	380	380	-
Taxes and special assessments- Maleza	180	180	180	-
Taxes and special assessments- San Fernando	580	580	580	-
Taxes and special assessments- Aguila	100	100	100	-
Taxes and special assessments- Pinal / Escarpa	180	180	180	-
Taxes and special assessments- Cayucos	220	220	220	-
Taxes and special assessments- Falda	240	240	240	-
Interest income	510	510	258	(252)
Total revenues	2,670	2,670	2,418	(252)
Expenditures:				
Special projects and studies:				
Street maintenance projects	50,000	50,000	-	50,000
Total expenditures	50,000	50,000	-	50,000
Net change in fund balance	\$ (47,330)	\$ (47,330)	2,418	\$ 49,748
Fund balance, June 30, 2017			71,837	
Fund balance, June 30, 2018			\$ 74,255	

CITY OF ATASCADERO
GENERAL GOVERNMENT FACILITIES FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Impact fees	\$ 326,340	\$ 326,340	\$ 63,696	\$ (262,644)
Interest income (expense)	3,600	3,600	(81)	(3,681)
Total revenues	329,940	329,940	63,615	(266,325)
Expenditures:				
Capital projects:				
New Police Vehicle	40,000	40,710	40,710	-
Total expenditures	40,000	40,710	40,710	-
Excess of revenues over (under) expenditures	289,940	289,230	22,905	(266,325)
Other Financing Sources (Uses):				
Cash Contribution from Supplemental Law				
Enforcement Services Fund for Vehicle Purchase	-	710	710	-
Total other financing sources (uses)	-	710	710	-
Net change in fund balance	\$ 289,940	\$ 289,940	23,615	\$ (266,325)
Fund balance, June 30, 2017			76,306	
Fund balance, June 30, 2018			\$ 99,921	

CITY OF ATASCADERO
STORM DRAINAGE FACILITIES FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Impact fees	\$ 148,140	\$ 148,140	\$ 58,112	\$ (90,028)
Interest income	6,070	6,070	2,110	(3,960)
Total revenues	154,210	154,210	60,222	(93,988)
Expenditures:				
Capital projects:				
Culvert Replacement & Inlet Improvement Program	250,000	250,000	21,432	228,568
Drainage Improvement Program	100,000	100,000	-	100,000
Total expenditures	350,000	350,000	21,432	328,568
Net change in fund balance	\$ (195,790)	\$ (195,790)	38,790	\$ 234,580
Fund balance, June 30, 2017			575,105	
Fund balance, June 30, 2018			\$ 613,895	

CITY OF ATASCADERO
LAW ENFORCEMENT FACILITIES FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Impact fees	\$ 116,490	\$ 116,490	\$ 35,004	\$ (81,486)
Interest income	3,260	3,260	415	(2,845)
Total revenues	119,750	119,750	35,419	(84,331)
Net change in fund balance	<u>\$ 119,750</u>	<u>\$ 119,750</u>	35,419	<u>\$ (84,331)</u>
Fund balance, June 30, 2017			179,677	
Fund balance, June 30, 2018			<u>\$ 215,096</u>	

CITY OF ATASCADERO
FIRE FACILITIES FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Impact fees	\$ 183,400	\$ 183,400	\$ 77,447	\$ (105,953)
Rental income	10,800	10,800	10,800	-
Interest income	3,680	3,680	494	(3,186)
Total revenues	197,880	197,880	88,741	(109,139)
Expenditures:				
Special projects and studies:				
Station Needs Assessment	5,970	5,970	2,312	3,658
Total expenditures	5,970	5,970	2,312	3,658
Net change in fund balance	\$ 191,910	\$ 191,910	86,429	\$ (105,481)
Fund balance, June 30, 2017			1,040,119	
Fund balance, June 30, 2018			\$ 1,126,548	

CITY OF ATASCADERO

OPEN SPACE ACQUISITION FEES FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Impact fees	\$ 406,190	\$ 406,190	\$ 97,952	\$ (308,238)
Interest income	9,640	9,640	1,237	(8,403)
Total revenues	415,830	415,830	99,189	(316,641)
Expenditures:				
Capital Projects:				
ALPS Three Bridges Trailhead and Parking Lot	19,750	19,750	3,741	16,009
Total expenditures	19,750	19,750	3,741	16,009
Net change in fund balance	\$ 396,080	\$ 396,080	95,448	\$ (300,632)
Fund balance, June 30, 2017			466,255	
Fund balance, June 30, 2018			\$ 561,703	

CITY OF ATASCADERO
PARKLAND FACILITIES FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Impact fees	\$ 1,168,460	\$ 1,168,460	\$ 236,343	\$ (932,117)
Interest income	31,230	31,230	6,297	(24,933)
Total revenues	1,199,690	1,199,690	242,640	(957,050)
Expenditures:				
Capital Projects:				
Atascadero Lake Pipeline Repair	270,840	270,840	29,305	241,535
Joy Playground Project	-	505,000	-	505,000
Total expenditures	270,840	775,840	29,305	746,535
Excess of revenues over (under) expenditures	928,850	423,850	213,335	(210,515)
Other Financing Sources (Uses):				
Transfer to 2010 Bond Proceeds Master Agreement Fund for Centennial Bridge & Plaza Project	(460,000)	(460,000)	(460,000)	-
Total other financing sources (uses)	(460,000)	(460,000)	(460,000)	-
Net change in fund balance	\$ 468,850	\$ (36,150)	(246,665)	\$ (210,515)
Fund balance, June 30, 2017			1,655,114	
Fund balance, June 30, 2018			\$ 1,408,449	

CITY OF ATASCADERO
PUBLIC FACILITIES FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Impact fees	\$ 265,210	\$ 265,210	\$ 56,655	\$ (208,555)
Interest income	6,670	6,670	2,111	(4,559)
Total revenues	271,880	271,880	58,766	(213,114)
Expenditures:				
Capital projects:				
Zoo Garden Event Center	551,780	551,780	23,546	528,234
Total expenditures	551,780	551,780	23,546	528,234
Net change in fund balance	\$ (279,900)	\$ (279,900)	35,220	\$ 315,120
Fund balance, June 30, 2017			624,692	
Fund balance, June 30, 2018			\$ 659,912	

CITY OF ATASCADERO

LIBRARY EXPANSION FACILITIES FEES FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Impact fees	\$ 130,060	\$ 130,060	\$ 27,696	\$ (102,364)
Interest income	2,910	2,910	331	(2,579)
Total revenues	132,970	132,970	28,027	(104,943)
Net change in fund balance	<u>\$ 132,970</u>	<u>\$ 132,970</u>	28,027	<u>\$ (104,943)</u>
Fund balance, June 30, 2017			136,823	
Fund balance, June 30, 2018			<u>\$ 164,850</u>	

CITY OF ATASCADERO
COMMUNITY FACILITIES DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Taxes and assessments	\$ 540,250	\$ 540,250	\$ 537,000	\$ (3,250)
Interest income	3,080	3,080	(286)	(3,366)
Total revenues	543,330	543,330	536,714	(6,616)
Expenditures:				
Contract services	5,610	5,610	4,995	615
Total expenditures	5,610	5,610	4,995	615
Excess of revenues over (under) expenditures	537,720	537,720	531,719	(6,001)
Other Financing Sources (Uses):				
Transfer to the General Fund for police, fire and parks services	(540,250)	(540,250)	(540,250)	-
Total other financing sources (uses)	(540,250)	(540,250)	(540,250)	-
Net change in fund balance	\$ (2,530)	\$ (2,530)	(8,531)	\$ (6,001)
Fund balance, June 30, 2017			259,141	
Fund balance, June 30, 2018			\$ 250,610	

CITY OF ATASCADERO

APPLE VALLEY STREET & STORM DRAIN ASSESSMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 28,000	\$ 28,000	\$ 28,000	\$ -
Interest income	4,380	4,380	1,282	(3,098)
Total revenues	32,380	32,380	29,282	(3,098)
Expenditures:				
Advertising	300	300	124	176
Contract services	18,200	18,200	2,985	15,215
Administration	2,000	2,000	1,225	775
Total expenditures	20,500	20,500	4,334	16,166
Net change in fund balance	\$ 11,880	\$ 11,880	24,948	\$ 13,068
Fund balance, June 30, 2017			382,612	
Fund balance, June 30, 2018			\$ 407,560	

CITY OF ATASCADERO

APPLE VALLEY LANDSCAPE & LIGHTING ASSESSMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 73,500	\$ 73,500	\$ 73,500	\$ -
Interest income	1,290	1,290	552	(738)
Total revenues	74,790	74,790	74,052	(738)
Expenditures:				
Advertising	150	470	464	6
Utilities	12,220	12,220	7,869	4,351
Operating supplies	2,500	2,500	283	2,217
Contract services	63,710	63,390	50,840	12,550
Administration	2,100	2,100	1,114	986
Total expenditures	80,680	80,680	60,570	20,110
Net change in fund balance	\$ (5,890)	\$ (5,890)	13,482	\$ 19,372
Fund balance, June 30, 2017			121,375	
Fund balance, June 30, 2018			\$ 134,857	

CITY OF ATASCADERO

LAS LOMAS STREET & STORM DRAIN ASSESSMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 69,530	\$ 69,530	\$ 69,525	\$ (5)
Interest income	3,420	3,420	701	(2,719)
Total revenues	72,950	72,950	70,226	(2,724)
Expenditures:				
Advertising	300	300	124	176
Contract services	16,800	12,770	2,985	9,785
Administration	1,700	5,730	5,725	5
Total expenditures	18,800	18,800	8,834	9,966
Net change in fund balance	\$ 54,150	\$ 54,150	61,392	\$ 7,242
Fund balance, June 30, 2017			283,433	
Fund balance, June 30, 2018			\$ 344,825	

CITY OF ATASCADERO

LAS LOMAS LANDSCAPE & LIGHTING ASSESSMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 63,730	\$ 63,730	\$ 63,731	\$ 1
Interest income	1,630	1,630	608	(1,022)
Total revenues	65,360	65,360	64,339	(1,021)
Expenditures:				
Advertising	130	470	463	7
Utilities	4,520	5,830	5,821	9
Operating supplies	1,020	680	256	424
Contract services	54,550	52,540	52,513	27
Administration	1,300	2,000	1,990	10
Special projects:				
Planting and landscape project	7,500	7,500	5,105	2,395
Total expenditures	69,020	69,020	66,148	2,872
Net change in fund balance	\$ (3,660)	\$ (3,660)	(1,809)	\$ 1,851
Fund balance, June 30, 2017			172,970	
Fund balance, June 30, 2018			\$ 171,161	

CITY OF ATASCADERO
DE ANZA STREET & STORM DRAIN ASSESSMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 40,090	\$ 40,090	\$ 40,090	\$ -
Interest income	4,030	4,030	1,206	(2,824)
Total revenues	44,120	44,120	41,296	(2,824)
Expenditures:				
Advertising	300	300	123	177
Contract services	13,600	13,600	2,985	10,615
Administration	1,600	1,600	1,279	321
Special projects:				
Slurry Seal	103,000	103,000	-	103,000
Total expenditures	118,500	118,500	4,387	114,113
Net change in fund balance	\$ (74,380)	\$ (74,380)	36,909	\$ 111,289
Fund balance, June 30, 2017			384,037	
Fund balance, June 30, 2018			\$ 420,946	

CITY OF ATASCADERO

DE ANZA LANDSCAPE & LIGHTING ASSESSMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Taxes and assessments	\$ 15,880	\$ 15,880	\$ 15,874	\$ (6)
Interest income	1,160	1,160	391	(769)
Total revenues	17,040	17,040	16,265	(775)
Expenditures:				
Advertising	150	470	464	6
Utilities	500	500	342	158
Operating supplies	840	840	-	840
Contract services	18,620	18,300	13,854	4,446
Administration	2,100	2,100	1,169	931
Special projects:				
Landscape Improvements	7,730	7,730	-	7,730
Total expenditures	29,940	29,940	15,829	14,111
Excess of revenues over (under) expenditures	(12,900)	(12,900)	436	13,336
Other Financing Sources (Uses):				
Transfer from the General Fund for open space maintenance	1,400	1,400	1,400	-
Total other financing sources (uses)	1,400	1,400	1,400	-
Net change in fund balance	\$ (11,500)	\$ (11,500)	1,836	\$ 13,336
Fund balance, June 30, 2017			116,109	
Fund balance, June 30, 2018			\$ 117,945	

CITY OF ATASCADERO
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
HCD Housing Related Parks Grant - Lake Park				
Equipment	\$ -	\$ 355,710	\$ 267,164	\$ (88,546)
FEMA Revenue- 2017 Storms	-	-	2,606	2,606
OES Revenue- 2017 Storms	-	-	716	716
Interest income	-	-	298	298
Total revenues	-	355,710	270,784	(84,926)
Expenditures:				
Capital outlay:				
Lighted Crosswalk Replacement	80,000	80,000	68,718	11,282
Lake Park Playground Equipment	-	355,710	267,164	88,546
Total expenditures	80,000	435,710	335,882	99,828
Net change in fund balance	\$ (80,000)	\$ (80,000)	(65,098)	\$ 14,902
Fund balance, June 30, 2017			406,413	
Fund balance, June 30, 2018			\$ 341,315	

CITY OF ATASCADERO

2010 BOND PROCEEDS MASTER AGREEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ 14,010	\$ 14,010	\$ 10,675	\$ (3,335)
Total revenues	14,010	14,010	10,675	(3,335)
Expenditures:				
Capital outlay:				
Purchase East Mall Tax Default Properties	-	116,000	116,000	-
Centennial Bridge and Plaza Project	2,530,670	2,218,840	1,948,191	270,649
Maiden Statue Placement	50,000	50,000	-	50,000
Total expenditures	2,580,670	2,384,840	2,064,191	320,649
Excess of revenues over (under) expenditures	(2,566,660)	(2,370,830)	(2,053,516)	317,314
Other Financing Sources:				
Transfer from Parkland Facilities Fees Fund for Centennial Bridge & Plaza Project	460,000	460,000	460,000	-
Total other financing sources (uses)	460,000	460,000	460,000	-
Net change in fund balance	\$ (2,106,660)	\$ (1,910,830)	(1,593,516)	\$ 317,314
Fund balance, June 30, 2017			1,884,162	
Fund balance, June 30, 2018			\$ 290,646	

CITY OF ATASCADERO
YOUTH CENTER CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest income	\$ -	\$ -	\$ (94)	\$ (94)
Total revenues	-	-	(94)	(94)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(94)	<u>\$ (94)</u>
Fund balance, June 30, 2017			2,699	
Fund balance, June 30, 2018			<u>\$ 2,605</u>	

CITY OF ATASCADERO

1992 STREET ASSESSMENT IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2018

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Interest income	\$ 880	\$ 880	\$ 792	\$ (88)
Total revenues	880	880	792	(88)
Expenditures:				
Administration	3,100	3,100	-	3,100
Special projects and purchases:				
Street repairs	175,000	175,000	173,355	1,645
Total expenditures	178,100	178,100	173,355	4,745
Net change in fund balance	\$ (177,220)	\$ (177,220)	(172,563)	\$ 4,657
Fund balance, June 30, 2017			172,563	
Fund balance, June 30, 2018			\$ -	

CITY OF ATASCADERO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	<u>Technology Fund</u>	<u>Vehicle and Equipment Replacement Fund</u>	<u>Building Maintenance and Replacement Fund</u>	<u>Totals</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 1,495,667	\$ 2,377,329	\$ 3,712,361	\$ 7,585,357
Receivables:				
Federal distributions due	7,500	-	-	7,500
Other receivables	-	-	188	188
Accrued interest	3,606	5,798	5,811	15,215
Prepaid expenses	3,447	-	-	3,447
Total current assets	<u>1,510,220</u>	<u>2,383,127</u>	<u>3,718,360</u>	<u>7,611,707</u>
Capital Assets:				
Non-depreciable:				
Construction in progress	641,034	41,952	406,808	1,089,794
Depreciable:				
Vehicles	-	5,212,291	-	5,212,291
Equipment	2,490,129	3,683,566	21,024	6,194,719
Structures and improvements	-	-	49,507,750	49,507,750
Accumulated depreciation	<u>(2,337,782)</u>	<u>(5,115,346)</u>	<u>(7,560,084)</u>	<u>(15,013,212)</u>
Net capital assets	<u>793,381</u>	<u>3,822,463</u>	<u>42,375,498</u>	<u>46,991,342</u>
Total assets	<u>2,303,601</u>	<u>6,205,590</u>	<u>46,093,858</u>	<u>54,603,049</u>
DEFERRED OUTFLOWS				
Deferred outflows related to pensions	<u>109,979</u>	<u>-</u>	<u>105,202</u>	<u>215,181</u>
Total deferred outflows	<u>109,979</u>	<u>-</u>	<u>105,202</u>	<u>215,181</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	69,334	1,724	12,716	83,774
Accrued salaries and benefits	7,910	-	5,720	13,630
Unearned revenue	(54)	-	500	446
Noncurrent Liabilities:				
Noncurrent liabilities	<u>502,172</u>	<u>-</u>	<u>473,824</u>	<u>975,996</u>
Total liabilities	<u>579,362</u>	<u>1,724</u>	<u>492,760</u>	<u>1,073,846</u>

CITY OF ATASCADERO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION (continued)
June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	<u>Technology Fund</u>	<u>Vehicle and Equipment Replacement Fund</u>	<u>Building Maintenance and Replacement Fund</u>	<u>Totals</u>
DEFERRED INFLOWS				
Deferred inflows related to pensions	\$ 18,856	\$ -	\$ 17,331	\$ 36,187
Total deferred inflows	18,856	-	17,331	36,187
NET POSITION				
Net investment in capital assets	793,381	3,822,463	42,375,498	46,991,342
Unrestricted	1,021,981	2,381,403	3,313,471	6,716,855
Total net position	<u>\$ 1,815,362</u>	<u>\$ 6,203,866</u>	<u>\$ 45,688,969</u>	<u>\$ 53,708,197</u>

CITY OF ATASCADERO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	<u>Technology Fund</u>	<u>Vehicle and Equipment Replacement Fund</u>	<u>Building Maintenance and Replacement Fund</u>	<u>Totals</u>
Operating Revenues:				
Charges for services	\$ 858,750	\$ 213,610	\$ 526,910	\$ 1,599,270
Other	7,500	-	249	7,749
Total operating revenues	<u>866,250</u>	<u>213,610</u>	<u>527,159</u>	<u>1,607,019</u>
Operating Expenses:				
Salaries and benefits	500,959	-	332,494	833,453
Office expense	1,475	-	-	1,475
Computer maintenance, software and replacement	-	-	3,010	3,010
Insurance	-	-	38,600	38,600
Occupancy and rental costs	34,240	-	-	34,240
Utilities	-	-	79,114	79,114
Communications	59,104	-	2,493	61,597
Operating supplies and services	21,537	-	23,918	45,455
Vehicle and equipment operating costs	452	-	11,277	11,729
Contract services	80,042	-	38,081	118,123
Professional development	5,185	-	-	5,185
Recruitment	32	-	-	32
Administrative charges	26,980	-	47,660	74,640
Special projects:				
Small Printers	140	-	-	140
Depreciation	<u>85,239</u>	<u>539,157</u>	<u>1,086,045</u>	<u>1,710,441</u>
Total operating expenses	<u>815,385</u>	<u>539,157</u>	<u>1,662,692</u>	<u>3,017,234</u>
Operating income (loss)	<u>50,865</u>	<u>(325,547)</u>	<u>(1,135,533)</u>	<u>(1,410,215)</u>

CITY OF ATASCADERO

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)

For the Fiscal Year Ended June 30, 2018

ITEM NUMBER:

C-2

DATE:

01/22/19

ATTACHMENT:

1

	<u>Technology Fund</u>	<u>Vehicle and Equipment Replacement Fund</u>	<u>Building Maintenance and Replacement Fund</u>	<u>Totals</u>
Non-Operating Revenues (Expenses):				
Interest income	\$ 6,159	\$ 8,649	\$ (20,051)	\$ (5,243)
Gain (loss) on sale of capital assets	-	(1,629)	-	(1,629)
Total non-operating revenues (expenses)	6,159	7,020	(20,051)	(6,872)
Change in net position prior to capital contributions	57,024	(318,527)	(1,155,584)	(1,417,087)
Capital Contributions:				
Cash contributions from other funds	-	36,236	-	36,236
Capital contributions from other funds	13,182	300,553	504,323	818,058
Total capital contributions	13,182	336,789	504,323	854,294
Change in net position	70,206	18,262	(651,261)	(562,793)
Total net position, June 30, 2017	1,745,156	6,185,604	46,340,230	54,270,990
Total net position, June 30, 2018	<u>\$ 1,815,362</u>	<u>\$ 6,203,866</u>	<u>\$ 45,688,969</u>	<u>\$ 53,708,197</u>

CITY OF ATASCADERO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

	<u>Technology Fund</u>	<u>Vehicle and Equipment Replacement Fund</u>	<u>Building Maintenance and Replacement Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities:				
Internal activity - payments from other funds	\$ 866,250	\$ 213,610	\$ 527,159	\$ 1,607,019
Payments to suppliers of goods and services	(434,231)	1,724	(251,128)	(683,635)
Payments for employee services	(433,112)	-	(270,967)	(704,079)
Net cash provided (used) by operating activities	(1,093)	215,334	5,064	219,305
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(275,225)	(320,662)	(2,501)	(598,388)
Cash contributions received for capital purchases	-	36,236	-	36,236
Capital grant proceeds	(5,985)	5,134	2,541,251	2,540,400
Proceeds from sale of capital assets	-	550	-	550
Net cash provided (used) by capital and related financing activities	(281,210)	(278,742)	2,538,750	1,978,798
Cash Flows From Investing Activities:				
Interest income	5,727	7,147	(25,523)	(12,649)
Net cash provided (used) by investing activities	5,727	7,147	(25,523)	(12,649)
Net increase (decrease) in cash and cash equivalents	(276,576)	(56,261)	2,518,291	2,185,454
Cash and cash equivalents - June 30, 2017	1,772,243	2,433,590	1,194,070	5,399,903
Cash and cash equivalents - June 30, 2018	<u>\$ 1,495,667</u>	<u>\$ 2,377,329</u>	<u>\$ 3,712,361</u>	<u>\$ 7,585,357</u>

CITY OF ATASCADERO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (continued)
For the Fiscal Year Ended June 30, 2018

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 1

	<u>Technology Fund</u>	<u>Vehicle and Equipment Replacement Fund</u>	<u>Building Maintenance and Replacement Fund</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 50,865	\$ (325,547)	\$ (1,135,533)	\$ (1,410,215)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	85,239	539,157	1,086,045	1,710,441
Change in assets and liabilities:				
Receivables, net	167	-	(188)	(21)
Prepaid expenses	(2,407)	-	-	(2,407)
Accounts payable	(202,750)	1,724	(7,187)	(208,213)
Accrued salaries and benefits	967	-	348	1,315
Unearned revenue	(54)	-	400	346
Deferred outflows	(6,090)	-	(5,812)	(11,902)
Deferred inflows	(13,713)	-	(13,088)	(26,801)
Net pension liability	83,661	-	79,850	163,511
Compensated absences	3,022	-	229	3,251
Net cash provided (used) by operating activities	<u>\$ (1,093)</u>	<u>\$ 215,334</u>	<u>\$ 5,064</u>	<u>\$ 219,305</u>



Moss, Levy & Hartzheim LLP

Certified Public Accountants

ITEM NUMBER: C-2
DATE: 01/22/19
ATTACHMENT: 2

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

City Council
City of Atascadero
Atascadero, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Atascadero (the City), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated January 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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. 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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim LLP

Santa Maria, California
January 7, 2019



Atascadero City Council

Staff Report – Administrative Services Department

Comprehensive Financial Strategy

RECOMMENDATIONS:

1. Council review and file the Comprehensive Financial Strategy.
2. Council adopt the Draft Resolution A approving Financial Policies as documented in Section 6 of the Comprehensive Financial Strategy.
3. Council adopt the Draft Resolution B amending the 2018-2019 fiscal year budget.

DISCUSSION:

Staff has updated the Comprehensive Financial Strategy. This report includes information on issues relevant to future planning and the upcoming two-year budget process. The report has six main sections:

1. Key Actions
2. Revenues
3. Operating Expenses
4. Long-Term Costs
5. Reserves
6. Financial Policies

The report discusses each of the above topics in detail and can be summarized by the following points:

- Economic growth is continuing
- The City has a Comprehensive Financial Strategy
- The City's Financial Strategy is reviewed often and remains flexible
- Continued responsible fiscal policy is important now and in the future

Council has been consistently sticking to the Financial Strategy that puts away funds in reserves in the good times for use when the economy dips. That strategy has positioned the City well to maintain consistent levels of service even as the economy goes through periods of expansion and contraction.

Adherence to the Council's fiscal policy will be a key component in moving forward. While the City's finances are stable, economic recovery continues to be gradual. Resources continue to be limited, and the attached comprehensive plan keeps the City's focus on Council's top priorities. Ultimately, teamwork and collective efforts to achieve the same goals will keep the City's financial foundation strong, now and into the future.

Financial Policies and Practices

Section 6 of the Comprehensive Financial Strategy contains Financial Policies and Practices that guide the City Council, City Manager, and staff through the budget development, decision-making processes, and day-to-day operations. These policies are practical guides for a continued healthy fiscal condition and have helped to keep City operations and service levels stable and continue to provide the community with a sustainable future.

Mid-Cycle Budget Adjustments

The City operates on a two-year budget. While every effort is made to accurately project the future 2+ years in advance, sometimes expenditures come in higher than expected due to unforeseen conditions. While the City generally experiences better than projected financial results when compared to budgeted numbers, at times it is necessary to make adjustments to the budget. Fiscal year 2018-2019 is the second year in this two-year budget cycle, and it is necessary to make the following amendments to the 2018-2019 adopted budget:

Insurance Costs

Property and General Liability insurance costs have come in much higher than anticipated during this fiscal year. The City belongs to an insurance pool through the California Joint Powers Insurance Authority (CJPIA). CJPIA arranges and administers programs for the pooling of self-insured losses, purchases excess insurance or reinsurance, and arranges for other lines of coverage. Costs are allocated to each agency based on payroll and claims history, relative to other members of the risk-sharing pool. When one or more agencies experience large losses, these are allocated across the pool.

The City works hard to keep insurance risk exposures to a minimum and generally experiences good rates. Based on this information, staff projected minimal increases in insurance expenses for the fiscal year. However, statewide insurance trends and some large claims in the pool have resulted in costs that exceed the City's expectations. The General Fund, Building Maintenance Fund, and Wastewater Fund house the bulk of the property assets and liability base. Requested budget adjustments for insurance costs are detailed in the table below:

General Fund	Building Maintenance and Replacement Fund	Gas Tax Fund	Wastewater Fund	Technology Fund	Total
\$ 29,300	\$ 19,940	\$ 5,220	\$ 10,010	\$ 2,180	\$ 66,650

Salary increases

The two-year budget is adopted with only the salary increases that are already included in approved Memorandums of Understanding (MOU) with the City's employees at the time the budget is adopted. When the current 2017-2019 Budget was adopted in June of 2017, the existing MOU's were not in place. Since that time, two- and three- year MOU's have been negotiated and approved. These MOU's provide employee cost increases essentially equal to the value of 3.5% of labor costs in the current fiscal year (effective as of the beginning of the fiscal year.) In addition to increases due to the MOU adoptions, the requested budget increases also include significant increases in Workers' Compensation Insurance, due primarily to changes in estimated losses by other jurisdictions.

The budget increase is spread across the funds with full time employees. However, the bulk of this increase is in the General Fund. Requested budget increases by fund are as follows:

General Fund	Building Maintenance and Replacement Fund	Gas Tax Fund	Wastewater Fund	Technology Fund	Total
\$ 299,410	\$ 7,550	\$ 4,490	\$ 17,260	\$ 16,100	\$ 344,810

Legal Costs

During fiscal year 2018-2019, the City Attorney's Office continues to provide to the City the standard legal services including attending City Council meetings, advising City Council and City Staff on legal issues, drafting of ordinances and resolutions, drafting and review of contracts, drafting and review of Staff Reports and multiple other legal services relating to the operations of the City.

In addition to the standard legal services rendered during the year, the City Attorney's Office manages the representation of the City in connection code enforcement cases and other legal issues. The City has spent about \$23,000 for such services in the first 4 months of this fiscal year, and expects to need an additional \$30,000 in budgeted funds during the fiscal year.

Additionally, some unexpected personnel issues have emerged requiring additional legal services. Of the City's \$260,000 budget for legal services, \$21,000 is allocated for personnel-related legal costs. Staff estimated these costs will likely total about \$40,000 for the fiscal year, thus requiring \$19,000 in additional budgeted funds.

General Fund
\$ 49,000

These proposed mid-year budget adjustments are included in the projections included in the Comprehensive Financial Strategy.

FISCAL IMPACT:

There is no fiscal impact related to the approval of the Comprehensive Financial Strategy, including the adoption of the Draft Resolution approving the Financial Policies.

The adoption of the Draft Resolution amending the 2018-2019 fiscal year will result in the expenditure of an additional \$377,710 in General Fund reserves, \$27,490 in Building Maintenance and Replacement Fund reserves, \$9,710 in Gas Tax Fund reserves, \$27,270 in Wastewater Fund reserves, and \$16,100 in Technology Fund reserves.

General Fund	Building Maintenance and Replacement Fund	Gas Tax Fund	Wastewater Fund	Technology Fund	Total
\$ 377,710	\$ 27,490	\$ 9,710	\$ 27,270	\$ 16,100	\$ 458,280

ATTACHMENTS:

1. Atascadero Comprehensive Financial Strategy – January 2019
2. Draft Resolution A - Approving the Financial Policies as documented in Section 6 of the Comprehensive Financial Strategy
3. Draft Resolution B - Amending the 2018-2019 Fiscal Year Budget



Atascadero

Comprehensive Financial Strategy January 2019

City of Atascadero

Financial Strategy – January 2019

Introduction:

The City of Atascadero has worked hard to maintain fiscal stability through the ups and downs in the economy that have occurred over the years. The effects of the state, national, and worldwide financial environments all have an impact on the local economy. The ability of an organization to navigate through a changing environment is often times directly related to the planning and preparation that was done in advance. Fortunately, through Atascadero's visionary leadership, appropriate policies and strategies have been put in place and continue to be used to help maintain consistent City services, regardless of the state of the economy. Of course, to make this happen, tradeoffs have been, and will continue to need to be agreed upon in order to keep the organization strong and resilient.

The City of Atascadero has experienced its share of financial challenges over the last few decades. In the early 1990s, a sharp slow-down of the economy devastated the City's budget and brought the staff to a skeleton crew. In more recent years, the state budget crisis brought more challenges as the State sought to balance their budget on the backs of local government. The loss of redevelopment in 2012 exacerbated this situation. The importance of a well-defined financial strategy to anticipate and conquer difficult issues cannot be understated. The responsibility to maintain a strong organization is shared community wide, but as the City Council and City employees, we agree to be the leaders in this effort. The Council has shown great leadership in its forward-thinking members and continues to look toward ensuring a sustainable future.

As with all successful organizations, the City needs to continue to revisit and update the long-term plan. A current yet fluid Fiscal Strategy is a key element of building a solid foundation upon which to move into the future. The City first adopted a Financial Strategy in 1998 and by focusing its resources, its financial condition has improved dramatically since that time.

The financial plan should outline general strategies and guidelines to mold the City's decisions. The plan should identify actions and describe the current belief of the organizational needs. However, it should also be flexible as the economy or situations change, direction and efforts can be modified to best suit the needs of the City and community. The plan requires periodic updates to ensure the City's financial strategy remains current and reflects the priorities of the citizenry.

The overall strategy has consistently been to maintain a conservative outlook by putting aside reserves in good times and then using those reserves during down periods to achieve stable operations. By employing this conservative strategy, the City can avoid the undesirable peaks and valleys in services due to revenue fluctuations and can better maintain its long-term financial vitality.



Comprehensive Financial Strategy:

The first section of this plan highlights some of the actions that Council and staff have taken to accomplish Council's Strategic Goals and focus on financial health.

The second section reviews some of the major revenues for the City. This section includes a description of these sources, how they've changed over the years, and what that means to the City now and into the future.

The third section analyzes ongoing operating costs. This includes employee and benefits costs, trends and assumptions. Additionally, this section reviews operating service costs, supplies, and capital expenditures.

The fourth section discusses long-term costs. These include discussions on long-term funding for maintenance and replacement of streets and bridges, storm drains, buildings, technology, vehicles, and equipment. Additionally, employee leave accruals are reviewed and analyzed.

The fifth section discusses reserves. The City has several different types of reserves to serve different purposes. The organization must retain some reserves to deal with cash flow issues, personnel, equipment, liabilities, and other unexpected expenses. Having a prudent plan to deal with ongoing operating costs and reserves will allow the Council and community to understand levels of risk in the City's financial operation.

The sixth and last section reviews the City's fiscal policies. These policies guide our budget process, projects, purchases and general City business. The City has taken a variety of steps over the years to maximize limited resources including economic development, strengthening of reserves, short- and long-term budget reductions, Strategic Planning, and revenue enhancement solutions. Staff continues to search for ideas to better the financial condition of the organization.

As we noted, all organizations must have a plan to succeed. This plan keeps the City's focus on the top priorities. The plan is dynamic and change is always expected. Improvements will occur and good ideas are invited from all sources. The underlying belief is that through our collective knowledge and teamwork, the City will continue to have a strong financial foundation that will withstand adversity.

Atascadero

Comprehensive Financial Strategy January 2019

Section 1- Key Actions

Highlights of Key Actions

Council and employees have worked as a powerful team to maintain the organization as fiscally nimble as possible. Critical indicators and influences are continuously monitored and analyzed so adjustments and modifications can be made as new information is available. Detailed below are highlights of some of the key actions in the last several years to move forward Council's priority goals.

Economic Development

Council has been steadily focused on economic development for some years now, and is poised to take advantage of opportunities. Council has prioritized identifying commercial hotspots, reducing the number of vacant store fronts, building partnerships and alliances with local business interests, investing in infrastructure that improves business in Atascadero, and increasing traffic to local businesses through a promotions program.

On-going commercial projects include the Del Rio commercial area, Colony Square, Staples outpad, downtown infill, the La Plaza Project, and the Annex Hotel (Home2Suites). Completed projects include West Front Village restaurant and Marriott Springhill Suites.

Council approved the Signage Clean-up Strategy to improve the appearance of the City's Commercial District along El Camino Real and Morro Road. The Signage Clean-up Strategy included reducing building permit fees for commercial sign permits, creating an online submittal process for commercial signage, and creating a partnership between the City, the Chamber of Commerce, and the community.

Council adopted the City's Marketing Plan to focus on events and promoting the City and its businesses to local and county residents, as well as visitors to the area. Staff began implementing promotions with upcoming events, including television and radio commercials, outdoor billboard ads, print ads in magazines and newspapers, ongoing social media posts, and digital display ads.

Council and City staff hired a strategic planning company to establish a vision and plan for tourism and promotions. Staff has worked on implementing new events as part of the City's event plan. The City teamed up with the Atascadero Tourism Business Improvement District (ATBID) to develop and promote several events. The City also works with non-profits to assist with new events. New and expanded events such as the Tamale Festival and Dancing in the Streets have drawn locals and tourists alike.

Council has also focused on creating a program that provides an advocate to businesses working through the development process. Staff offers intake and pre-proposal meetings, engages applicants and the public to create a collaborative effort in providing creativity, reasonably and logically apply codes to each and every project,

look for ways to streamline permitting for businesses, and continue to prioritize business development permits.

Building partnerships and alliances with local business interests is another Council focus. Staff meets with commercial brokers on a regular basis to discuss development opportunities. Staff also meets with Chamber of Commerce leadership for common goal partnerships and to share information about what is going well and what is not going well. The City also remains active in the Economic Vitality Corporation (EVC).

Investing in infrastructure that improves business in Atascadero is an important part of economic development. The City has completed a pavement evaluation study to help identify critical roads to repair using a pavement management software system. Sales Tax Measure F-14 was passed in November 2014 to fund the repair of roads. A five-year capital improvement plan is in place for both Measure F-14 funds and other road funding. Final design plans are being completed for the rehabilitation of the Via Avenue and the Santa Lucia Bridges, which provide access to a commercial/industrial and residential areas. The Highway 41 Multi-purpose Pathway has been completed, providing a beautiful access way along the creek for walking, biking and horse-back riding.

The Council recognizes that the El Camino Real corridor is the primary access to the community's local shopping, services, downtown area and the surrounding neighborhoods. Therefore, the City is conducting a study of the corridor which will serve as a guideline for the route's commercial opportunities and transportation connections through town. This study is being funded by a grant received from Caltrans.

The City continues to work with San Luis Obispo Council of Governments (SLOCOG) for funding opportunities and grants to improve Atascadero's infrastructure.

Downtown Revitalization

Council's goal to revitalize the downtown include investing in downtown infrastructure, facilitating the La Plaza Project, encouraging the adaptive re-use of non-conforming land uses in the downtown, and stimulating activities in the Downtown Area.

The foot bridge linking Colony Square and Sunken Gardens has been completed. The Creekside building has sold to private ownership and is occupied and being even further developed. The former Main Street Building has been removed. The North County Farmer's Market was relocated to Sunken Gardens and the City holds a Community Event in conjunction with the market once a month. The Sunken Gardens is home to the popular annual Tamale Festival and Winter Wonderland events.

At the express interest of the Atascadero Colony District Committee, a group of downtown business owners, the Council reinstituted the Downtown Parking and Business Improvement Area assessment. The City will work with the Chamber of Commerce Economic Foundation so that these funds are spent promoting and marketing in the downtown area.

Council has reviewed layouts of the El Camino Real Downtown Traffic Calming and Corridor Plan, and staff is looking for grant funding to implement the Plan.

Employee Resources

The City strives to retain current employees. Employees are a priority, and while funds are tight, the City and the employees work together toward solutions. Council looks for other opportunities to review and potentially change policies and ordinances that consume staff-time and have a minimal community-wide impact.

The Council adopted a resolution amending the City's purchasing policy. The amended policy reduced staff time, as well as quantity of staff reports and purchase orders. Controls continue to be in place to manage City purchases and staff will maintain good stewardship of the community's funds as a high priority.

The Council has introduced a draft ordinance to eliminate the Parks & Recreation Commission. While the elimination of the Parks and Recreation Commission will save the staff time necessary to maintain the Commission, it is not anticipated that it will significantly impact the opportunities for the public to give input on park and recreation projects.

The City hired a dedicated Code Enforcement Officer to consolidate the duties of enforcement and more effectively respond to community concerns. Previously, these duties were spread across many employees in several different departments, making consistency and coordination difficult. The public now has one point of contact for better service and efficiency.

Recruitments are developed and performed in such a way as to attract the best candidates for the job. Applicants are evaluated to determine if the potential employee is the right fit for the job based on experience, personality, and expectations.

The Police Department pays for the cost of the Police Academy for those individuals that qualify, in order to be more competitive and attract the highest quality employees. This relatively small change has made a big impact in the Department's ability to recruit.

In recent years, City staff completed a salary survey to determine how far positions were out from the county-wide average and made adjustments where possible. The need to work toward the county-wide average in order to attract and retain employees was balanced against other needs of the City. Staff continues to balance the need for realistic fiscal projections with Council's desire to use potential funds for staffing needs as soon as possible. One way this can be done is through the use of grants. The Fire Department was recently able to secure a three-year Staffing for Adequate Fire and Emergency Response (SAFER) grant through the Department of Homeland Security that has allowed the department to hire one additional firefighter position. While these opportunities are not always available and often very competitive, staff continues to look for all funding opportunities for additional personnel. Staff also look for opportunities to

increase revenues or enter into cooperative agreements. Retaining and recruiting staff and expanding the staffing level where appropriate continue to be priorities of the City.

Conclusion

These actions are but a small sampling of the work that has been done, and continues to be done, to successfully move toward the Council's goals. This will continue to position the City to respond to the ebbs and flows of an uncertain economy and to make the community an even better place to live and visit.

Seven Year Projections

In preparation of the two-year budget process, staff prepared a seven-year projection to more fully understand the long-term impacts of the two-year budget. The seven-year projection is an excellent planning tool to get a broader perspective of how the organization will fare and to ensure that the level of reserves currently available are appropriate. Similar to the planning horizon for Strategic Planning purposes, the seven-year view is generally believed to be a reasonable time frame for projecting the future. Growth is expected to be slow and steady. Staff has updated the projection's key revenues and expenses and extended them out to seven years.

A twelve-year history and a seven-year forecast are displayed on the following pages and will be referenced throughout the document.

GENERAL FUND HISTORY AND PROJECTIONS
Fiscal Years 2006/2007 through 2015/2016

General Fund

(excluding Sales Tax Measure F-14 Activity)

	Actual 2006/2007	Actual 2007/2008	Actual 2008/2009	Actual 2009/2010	Actual 2010/2011	Actual 2011/2012	Actual 2012/2013	Actual 2013/2014	Actual 2014/2015	Actual 2015/2016
Taxes										
Property Tax (Current Secured & VLF)	\$ 6,482,216	\$ 7,117,679	\$ 7,275,963	\$ 7,003,657	\$ 6,859,675	\$ 6,721,593	\$ 6,766,432	\$ 7,183,294	\$ 7,462,645	\$ 7,853,744
RDA Dissolution Distributions	-	-	-	-	-	41,254	2,374,020	150,565	131,077	181,523
Other Property Taxes	624,786	394,205	378,524	229,906	188,426	168,673	176,693	218,048	278,887	280,534
Sales Tax *	3,982,903	3,547,696	3,019,522	2,583,899	2,862,255	3,149,612	3,295,061	3,510,813	3,428,731	3,812,457
Franchise Fees	855,132	956,931	1,091,097	1,019,174	990,037	989,527	1,009,974	1,058,736	1,041,578	1,047,677
Transient Occupancy Tax	478,593	407,609	418,631	409,177	525,530	638,113	703,990	771,019	852,154	1,238,431
Other Taxes	321,864	255,935	229,770	222,396	219,319	242,315	270,090	269,684	318,826	313,844
Permits	650,057	275,622	206,490	180,111	209,569	219,517	404,420	648,501	619,182	518,013
Intergovernmental	399,383	223,917	168,576	167,829	231,270	81,288	101,364	100,786	203,137	137,993
Grants	556,897	625,044	65,078	141,687	179,167	235,598	269,330	72,451	166,837	103,203
Service Fees										
Safety Fees	185,902	182,671	295,007	245,243	254,876	325,023	239,274	233,012	220,911	191,158
Mutual Aid	742,963	861,597	887,899	518,053	133,051	229,371	688,182	590,311	511,899	758,524
Development Fees	1,064,772	714,421	599,957	345,766	696,318	510,106	767,005	1,001,012	644,836	596,370
Recreation Fees	204,486	218,779	196,773	215,925	246,156	308,076	312,422	313,738	311,583	339,714
Administrative Fees	76,805	69,381	62,380	36,786	37,621	36,422	49,117	56,175	50,842	47,591
Pavilion & Other Rental Fees	153,244	139,155	147,628	149,348	137,022	138,271	149,811	158,579	108,698	115,140
Parks Fees	17,181	22,034	24,998	42,305	50,375	28,555	36,156	33,304	35,191	32,983
Zoo Fees	204,182	210,638	200,308	185,612	196,506	254,729	334,174	350,179	352,610	376,252
Fines	169,259	127,765	137,375	104,328	90,655	80,309	60,418	66,730	108,839	92,007
Interest Income	622,337	467,963	311,177	171,216	160,435	121,565	51,961	61,127	46,308	105,686
Other										
Interfund Charges	968,930	1,043,102	1,020,251	1,240,420	1,215,906	1,048,924	1,002,650	980,999	923,738	1,056,563
Donations	163,353	74,170	53,279	63,619	47,377	178,220	99,337	74,501	791,833	486,556
Other	119,917	96,031	69,884	71,508	70,950	63,133	160,964	112,125	124,665	78,906
Transfers	57,552	289,760	302,952	267,130	412,320	480,443	752,219	363,600	372,470	391,090
Total Revenues	19,102,714	18,322,105	17,163,519	15,615,095	16,014,816	16,290,637	20,075,064	18,379,289	19,107,477	20,155,959
Employee Services	(11,212,722)	(13,321,050)	(13,169,188)	(12,013,133)	(11,988,655)	(12,095,047)	(12,926,538)	(12,286,188)	(13,254,966)	(13,429,637)
Operations	(5,031,226)	(5,561,493)	(5,282,445)	(4,040,370)	(3,941,705)	(4,096,834)	(4,946,518)	(4,555,813)	(4,490,717)	(4,834,594)
Special Projects & Community										
Funding	(722,462)	(182,411)	(292,450)	(270,042)	(528,545)	(306,509)	(514,586)	(844,797)	(789,322)	(370,934)
Capital Outlay	(1,583,236)	(363,231)	(31,082)	(7,369)	(57,617)	(216,813)	(136,425)	(77,967)	(732,778)	(713,773)
Other Uses					(95,379)	(29,316)	(10,491)	(1,080)	(1,020)	(1,400)
Total Expenses	(18,591,145)	(19,469,485)	(18,817,303)	(16,330,914)	(16,611,901)	(16,744,519)	(18,534,558)	(17,765,845)	(19,268,803)	(19,350,338)
NET INCOME / (LOSS)	511,569	(1,147,380)	(1,653,784)	(715,819)	(597,085)	(453,882)	1,540,506	613,444	(161,326)	805,621
Fund Balance Beginning of Year	10,522,943	11,034,512	9,887,132	8,233,348	7,517,529	6,920,444	6,466,562	8,007,068	8,620,512	8,459,186
FUND BALANCE END OF YEAR	\$ 11,034,512	\$ 9,887,132	\$ 8,233,348	\$ 7,517,529	\$ 6,920,444	\$ 6,466,562	\$ 8,007,068	\$ 8,620,512	\$ 8,459,186	\$ 9,264,807
Fund Balance as % of Expenses	59.4%	50.8%	43.8%	46.0%	41.7%	38.6%	43.2%	48.5%	43.9%	47.9%

GENERAL FUND HISTORY AND PROJECTIONS
Fiscal Years 2016/2017 through 2024/2025

General Fund
(excluding Sales Tax Measure F-14 Activity)

	Actual 2016/2017	Actual 2017/2018	Budgeted 2018/2019	Estimated 2018/2019	Estimated 2019/2020	Estimated 2020/2021	Estimated 2021/2022	Estimated 2022/2023	Estimated 2023/2024	Estimated 2024/2025
Taxes										
Property Tax (Current Secured & VLF)	\$ 8,308,110	\$ 8,743,471	\$ 9,128,400	\$ 9,169,800	\$ 9,561,200	\$ 9,898,810	\$ 10,199,790	\$ 10,559,750	\$ 10,880,650	\$ 11,178,070
RDA Dissolution Distributions	283,066	759,176	327,220	327,220	367,870	400,230	435,860	470,660	508,270	518,440
Other Property Taxes	336,496	296,514	383,170	356,370	307,570	309,210	310,870	315,580	320,360	325,220
Sales Tax *	3,620,027	4,058,583	3,943,460	4,062,646	4,050,169	4,151,420	4,255,210	4,361,590	4,470,630	4,582,400
Franchise Fees	1,168,572	1,099,534	1,095,310	1,116,300	1,109,590	1,128,870	1,148,510	1,168,520	1,188,880	1,209,620
Transient Occupancy Tax	1,337,528	1,376,498	1,325,900	1,404,000	1,676,730	1,710,300	1,744,500	1,779,400	1,815,000	1,851,300
Other Taxes	319,124	368,885	317,150	317,150	321,510	325,980	330,560	335,250	340,060	344,990
Permits	542,181	472,398	672,660	672,660	680,310	696,220	713,320	730,840	748,790	767,180
Intergovernmental	139,698	184,415	165,650	158,540	80,300	82,010	83,780	85,610	87,500	89,350
Grants	13,455	272,265	-	-	-	-	-	-	-	-
Service Fees										
Safety Fees	194,113	204,270	188,210	188,210	190,270	192,360	194,490	196,640	198,820	201,010
Mutual Aid	473,670	643,165	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Development Fees	728,994	535,113	521,810	521,810	512,500	522,690	534,510	546,590	558,940	571,610
Recreation Fees	362,793	326,419	302,520	303,670	280,770	286,030	288,290	288,550	288,820	289,090
Administrative Fees	56,653	53,031	55,970	57,980	59,890	61,370	62,980	64,640	66,350	68,110
Pavilion & Other Rental Fees	115,068	148,549	115,080	115,080	116,800	118,550	120,330	122,130	123,960	125,820
Parks Fees	36,981	25,124	32,680	32,880	33,470	34,080	34,700	35,330	35,970	36,620
Zoo Fees	377,731	417,981	405,740	405,740	412,980	418,810	425,980	432,000	439,350	445,550
Fines	76,981	88,711	119,270	161,270	151,850	119,270	119,270	119,270	119,270	119,270
Interest Income	3,232	9,741	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000
Other										
Interfund Charges	1,189,488	1,091,481	1,035,190	1,040,510	1,071,590	1,093,980	1,125,660	1,140,660	1,168,040	1,162,970
Donations	242,280	48,334	27,000	24,000	28,500	28,500	29,500	29,500	31,000	31,000
Other	45,656	24,874	28,020	26,930	28,330	28,640	28,960	29,280	29,610	29,950
Transfers	494,190	540,250	548,350	548,350	556,580	564,930	573,400	582,000	590,730	599,590
Total Revenues	20,466,087	21,788,782	21,044,760	21,317,116	21,904,779	22,478,260	23,066,470	23,699,790	24,317,000	24,853,160
Employee Services	(14,213,908)	(14,882,845)	(15,244,710)	(15,544,120)	(16,322,540)	(16,821,270)	(17,284,920)	(17,654,880)	(17,816,870)	(18,084,120)
Operations	(4,728,276)	(5,128,887)	(5,654,840)	(5,733,140)	(5,742,030)	(5,859,820)	(5,925,000)	(6,049,670)	(6,112,970)	(6,112,970)
Special Projects & Community										
Funding	(1,351,509)	(338,333)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Capital Outlay	(236,948)	(315,252)	-	-	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Other Uses	(169,400)	(256,343)	(1,400)	(1,400)	(1,400)	(1,400)	(1,400)	(1,400)	(1,400)	(1,400)
Total Expenses	(20,700,041)	(20,921,660)	(21,100,950)	(21,478,660)	(22,315,970)	(22,932,490)	(23,461,320)	(23,955,950)	(24,181,240)	(24,448,490)
NET INCOME / (LOSS)	(233,954)	867,122	(56,190)	(161,544)	(411,191)	(454,230)	(394,850)	(256,160)	135,760	404,670
Fund Balance Beginning of Year	9,264,807	9,030,853	9,897,975	9,897,975	9,736,431	9,325,240	8,871,010	8,476,160	8,220,000	8,355,760
FUND BALANCE END OF YEAR	\$ 9,030,853	\$ 9,897,975	\$ 9,841,785	\$ 9,736,431	\$ 9,325,240	\$ 8,871,010	\$ 8,476,160	\$ 8,220,000	\$ 8,355,760	\$ 8,760,430
Fund Balance as % of Expenses	43.6%	47.3%	46.6%	45.3%	41.8%	38.7%	36.1%	34.3%	34.6%	35.8%

Atascadero

Comprehensive Financial Strategy January 2019

Section 2- Significant Revenues

Significant Revenues

The General Fund is the City's primary operating fund, providing resources for most of the City's ongoing activities including police, fire, parks, recreation and general government. It is this fund that the Council has the most discretion in directing expenditures and accomplishing Council priorities. For many years, the City's top three General Fund revenues were 1) Property Tax revenue, 2) Sales Tax revenue, and 3) Development Fee revenue, in that order. Property Tax and Sales Tax, while they have evolved over the years, still maintain the top two positions for percentage of General Fund revenue. Transient Occupancy Tax revenue (TOT) is the third largest source of general fund revenue. Following will be a review of all these key income sources in detail, as well as other important, but smaller, revenue sources.

Property Tax Revenue

The City of Atascadero currently receives 40% - 45% of its General Fund revenues from property tax revenues.

WHAT ARE PROPERTY TAX REVENUES?

Property tax revenues are taxes imposed on real property (land and permanently attached improvements) and tangible personal property (movable property). The tax is based on the value of the property rather than on a fixed amount or benefit to the property or person. Proposition 13 (Article XIII A of the State Constitution) limits the real property tax rate to 1% of a property's assessed value, plus rates approved by the voters. The amount of the tax is based on an annually determined assessed valuation. The property tax is paid to the county tax collector and allocated to local taxing agencies pursuant to a statutory allocation formula. The property tax is guaranteed by placing a lien on the real property.

The City of Atascadero participates in the Teeter Plan. This means that the City receives its entire amount of the property tax levy regardless of whether or not the tax has been paid to the County. In exchange, the County is entitled to all future penalties and interest collected on the levy.

In order to understand property taxes, it is important to understand assessed value. Proposition 13 calls for a base year assessed value to be established when the property undergoes a change of ownership (typically a sale) or when new construction occurs.

After the base year value is established, the value is factored annually for inflation, which is the lesser of the change in cost of living or 2%. The assessed value may also be adjusted by a Proposition 8 factor. Proposition 8 allows a property to be temporarily reassessed at a lower value. It requires that the lower of either the adjusted base year value or the current market value determine a property's annual assessment. A significant number of property values were written down to market value during this last recession. As the housing market continues to recover, the assessed value is adjusted back up to the lower of the new fair market value or the original base value adjusted annually for inflation. The table below illustrates how assessed value would be calculated for a fictional property.

EXAMPLE OF ASSESSED VALUE FOR FICTIONAL HOME							
Date	Description of Changes in Assessed Value	CCPI Factor	Inflation Factor	Base Value ¹	Fair Market Value (FMV)	Assessed Value	Percent Change ²
1/1/X1	Market Value when Purchased	N/A	N/A	\$ 300,000	\$ 300,000	\$ 300,000	N/A
1/1/X2	Annual 2% inflation applied	2.46%	2.00%	306,000	335,000	306,000	2.00%
1/1/X3	CCPI inflation rate applied	1.85%	2.00%	311,670	375,000	311,670	1.85%
1/1/X4	Declining Real Estate Market	2.10%	2.00%	317,904	290,000	290,000	-6.95%
1/1/X5	Slight Improvement in RE Market	4.37%	2.00%	324,262	300,000	300,000	3.45%
1/1/X6	Drastic Improvement in RE Market	2.08%	2.00%	330,747	350,000	330,747	10.25%
1/1/X7	Annual 2% inflation applied	2.08%	2.00%	337,362	360,000	337,362	2.00%
1/1/X7	Home addition adds \$50,000 to base value	N/A	N/A	380,747	410,000	380,747	12.86%
1/1/X8	CCPI inflation rate applied	1.01%	2.00%	384,592	437,000	384,592	1.01%
1/1/X9	Annual 2% inflation applied	2.76%	2.00%	392,284	450,000	392,284	2.00%

¹ Base Value is calculated on lessor of CCPI or Inflation Factor
² Amount of Change from prior year assessment

The City receives various forms of property tax revenues each with its own distinct issues and trends as follows:

Current Year Secured - Current secured revenues usually make up about 65% of the City's property tax revenues and are what most people think of when discussing property taxes. Assessed values are established as of January 1 of each year and taxes are paid to the Tax Collector in two installments, due on December 10 and April 10. As the Tax Collector receives the funds, they are then allocated and distributed to the various agencies, including the City. Amounts levied but not collected by the County are distributed to the City under the Teeter Plan at the end of the fiscal year.

Property Tax in Lieu of Vehicle License Fees - This revenue source grew out of a state-local budget agreement as part of the State 2004 budget package. Under this arrangement, the Vehicle License Fee (VLF) was reduced to Californians and the reduction in city and county revenues was replaced with a like amount of property taxes. Subsequent to the fiscal year 2004-2005 base year, the property tax in lieu of VLF fluctuates in proportion to the gross assessed valuation in the City.

Current Year Unsecured - Unsecured property tax is collected on items such as mobile homes that are not on a permanent foundation, machinery and equipment owned by businesses, and personal property such as airplanes and watercraft. Unsecured roll taxes are due on August 31.

Current Year Supplemental - This property tax is an extra assessment that occurs when new construction is completed on real property or when a property changes ownership. The assessed value of the property is then increased to the current market value as of the date of the title transfer or completion of construction. Supplemental property tax is the amount due on the difference between the pre-event assessed value and the new market value of the property. Because there is a time lag between the change of ownership or completion of construction and the actual change of assessed value to the tax roll, supplemental property taxes are generally collected six months to a year or more after the event.

Redevelopment Property Tax Trust Fund (RPTTF) Distributions- This revenue category was created as a result of the dissolution of Redevelopment in 2012. As part of the dissolution of redevelopment agencies, all revenues and assets of the former redevelopment agency that are not needed to pay to the required obligations of the former agency must be distributed to the taxing agencies. The City of Atascadero is a taxing agency within the former Atascadero Community Redevelopment Agency and thus is entitled to approximately 18% of the “excess” revenues and assets.

WHAT IS THE CURRENT STATUS OF PROPERTY TAXES?

Property taxes are a function of assessed value and assessed value is a function of the base year adjusted for inflation and/or the fair market value. At the end of 2007, the County Assessor began to review properties throughout the county for Proposition 8 assessed valuation reductions. As the recession continued, the Assessor’s office was eventually reviewing the value on over 56,000 properties annually countywide. This resulted in a cumulative reduction in assessed value by more than \$4.66 billion. To date, about \$3.23 billion of this value has been restored throughout the county.

According to the San Luis Obispo Auditor Controller’s data, assessed value of adjusted secured and unsecured property has increased more than 5% over the prior year, in each of the last five fiscal years.

Total Adjusted Gross Secured and
Unsecured Assessed Value in
Atascadero *

Fiscal Year	Atascadero	% Change in Assesse d Value
2003-04	1,964,719,525	9.58%
2004-05	2,166,790,995	10.29%
2005-06	2,424,564,670	11.90%
2006-07	2,796,694,310	15.35%
2007-08	3,090,464,606	10.50%
2008-09	3,153,920,008	2.05%
2009-10	3,048,359,883	-3.35%
2010-11	2,974,274,420	-2.43%
2011-12	2,905,011,491	-2.33%
2012-13	2,911,262,172	0.22%
2013-14	3,016,930,596	3.63%
2014-15	3,194,259,931	5.88%
2015-16	3,378,519,547	5.77%
2016-17	3,578,899,913	5.93%
2017-18	3,775,528,569	5.49%
2018-19	3,990,810,592	5.70%

* County of San Luis Obispo Auditor
Controller’s Office

The median home price is the midpoint price of homes being sold and is therefore a function of both the value of real estate and number of high end versus low end properties being sold. The median home price in Atascadero has continued to rise. In its December 2018 Central Coast Economic Forecast, Beacon Economics reported a year-over-year increase of 8.6% in single-family median home prices statewide. Beacon Economics reported that while the County's real estate market has improved recently, it hasn't kept pace with overall economic growth in the area. No significant shifts in the real estate market are expected in the short-term.

As stated before, assessed values are also a function of the inflation factor. The inflation factor for the 2018-2019 assessments has been released by the State Board of Equalization. The California Consumer Price Index (CCPI) increased by 2.962%.

WHAT ARE PROPERTY TAX REVENUES EXPECTED TO BE FOR THE NEXT 7 YEARS?

Current Secured Property Tax

When projecting out future property tax revenues, staff tried to consider the factors that go into assessed value: What will annual inflation factors look like? How much new construction can be expected? What will the real estate market look like? What is the housing demand?

While the inflationary factor has been published for 2018-2019, we are trying to predict what the next seven years will look like. Economists have noted that the nation is currently in the middle of the second longest expansion in history, and predicting its demise is difficult. There are both positive and negative statistics that may indicate the direction of the economy. The positive indicators of the increasing U.S. Gross Domestic Product (GDP), low unemployment, and rising housing values are tempered with increased Federal borrowing, rising interest rates, and ongoing political changes.

The State Legislative Analyst's Office's (LAO's) projects continued but slowing growth in Assessed Value for the next two years, and projects personal income tax revenue and sales tax revenue will each increase about 3% in 2020 over 2019. The LAO projects that California's

Atascadero Single Family Residence
Median Home Prices *

For the Month of October	Atascadero SFR Median Home Price
2002	\$ 348,684
2003	401,724
2004	492,372
2005	619,949
2006	568,965
2007	584,302
2008	411,956
2009	379,166
2010	371,740
2011	364,540
2012	395,140
2013	440,380
2014	455,660
2015	526,650
2016	538,500
2017	560,000
2018	586,000

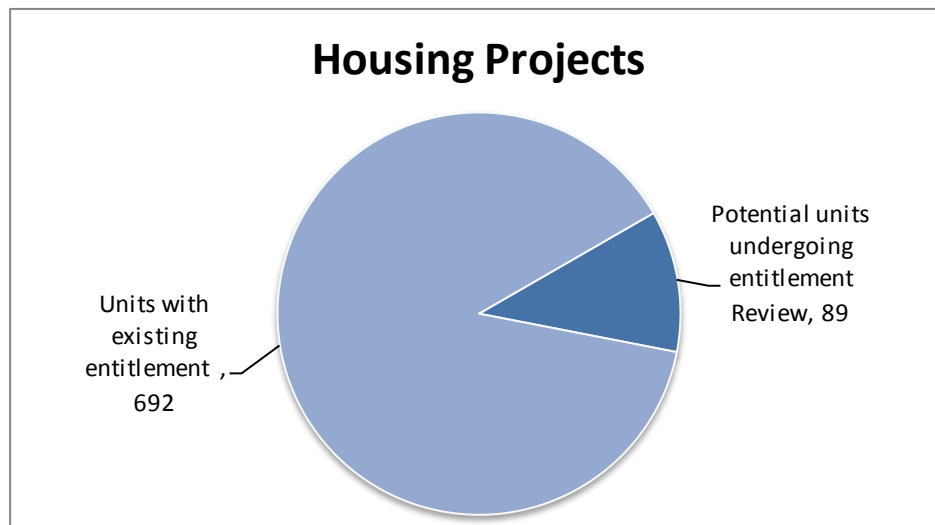
* California Association of Realtors

State LAO: Assessed Value Growth
Estimates for SLO County
Annual Percent Growth

2018-2019	2019-2020	2020-2021
5.4%	5.1%	4.9%

General Fund revenue will continue to increase in 2019-2020 over the prior year by 5.5%.

Construction activity is a good indicator of the level of private investment in the community. There is a substantial number of commercial and residential projects in the works, and once built out, will increase the assessed valuation in the City. There are currently over 781 housing units in some phase of development as shown in the following graph:



A portion of the City's growth in assessed valuation is due to this significant construction activity. Atascadero's assessed valuation will continue to reflect this added value. For every \$1 million that is added in new construction, \$10,000 a year is paid to the County in property tax, and about \$1,600-\$1,800 of that comes back to Atascadero's General Fund.

Housing trends are often difficult to predict because they are influenced by many factors including income and employment growth, mortgage interest rates, affordability, savings rates, tax policy and consumer confidence. That being said, the demand for housing across the State has picked up and statewide rental rates continue to increase. While some of the factors determining housing values and trends conflict, there continues to be an overriding growth in real estate market values.

When refining property tax for the budget and projecting what the real estate market may hold, staff will continue to consult with experts including real estate professionals, mortgage banks, economists, and the Community Development Department.

Assumptions

Assumptions that went into the projected property tax revenues were as follows:

- 2018/2019- Assumed that Current Secured, Redevelopment Agency Pass-Through, and Property Tax in Lieu of Vehicle License Fees are equal to the amounts estimated by the County Auditor's Office as of October 2018 (increase of 5%.) Current Year Supplemental revenues are expected to come in slightly below budgeted levels and Current Unsecured revenues are expected to increase slightly.
- 2019/2020- Assumes that all current secured property tax increases by 4.25% as new residential and commercial construction comes online. Current Year Supplemental revenue is expected to level out as the rate of growth begins to slow, and Current Unsecured revenues are expected to see minimal increases. RPTTF will grow slightly with the tax base in the former RDA area.
- 2020/2021- Assumes that all current secured property tax increases by 3.5% as new residential and commercial construction comes online. Current Year Supplemental revenue is expected to be flat, and Current Unsecured revenues are expected to see minimal increases. RPTTF will grow slightly with the tax base in the former RDA area.
- 2021/2022- Assumes a positive inflation factor. Assumes some continued growth due to new construction. Overall, current secured rolls are increased by 3.0% and supplemental rolls continue to be flat.
- 2022/2023- Assumes a slower overall inflation factor, but assumes some new commercial construction will add to the City's assessed value. Assumed inflation factor of 3.5%. As homes sell, supplemental rolls continue to increase.
- 2023/2024- Similar assumptions of prior year, including positive inflation factor of 3.0% and assumes new commercial construction will slightly increase the assessed value.
- 2024/2025- Assumes a 2.75% inflation factor with adjustment for additional construction and increases in fair market value.

Sales Tax Revenue

The City of Atascadero currently receives 15% - 20% of its General Fund revenues from sales and use tax based revenues.

WHAT ARE SALES AND USE TAXES?

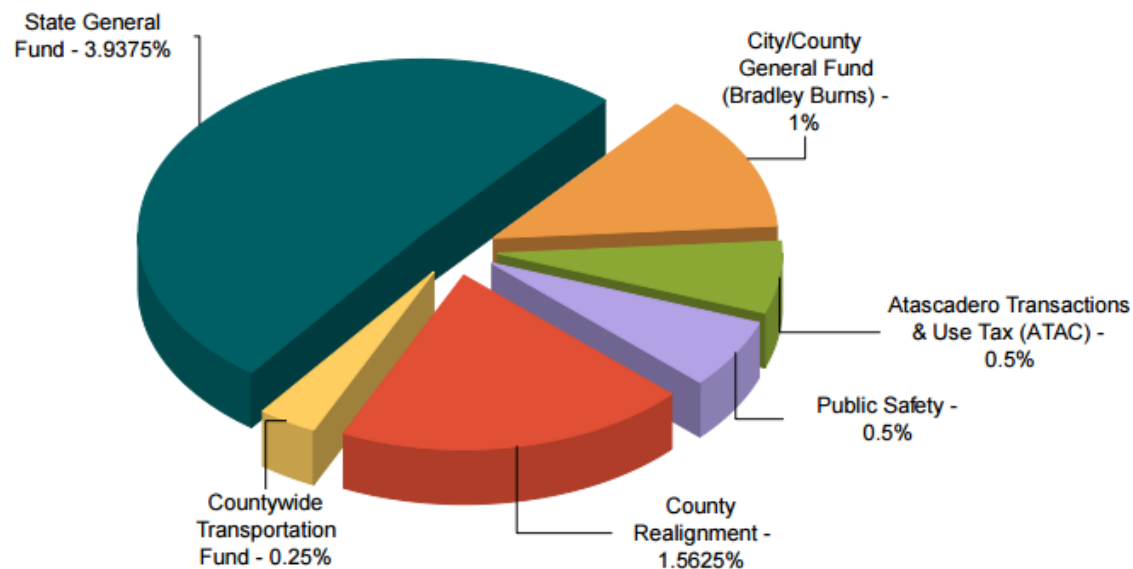
Under the California Sales and Use Tax Law, the sale of tangible personal property is subject to sales or use tax unless exempt or otherwise excluded. Sales tax is imposed on all retailers for the privilege of selling tangible personal property and is measured by the retailer's gross receipts. Use tax is imposed on the purchaser of tangible personal property from any retailer for storage, use or other consumption in California. The sales tax rate in Atascadero is 7.75%; this includes the City's Measure F-14 additional tax of 0.5%, for a breakdown as seen on the next chart:



CITY OF ATASCADERO

Breakdown of 7.75% Sales Tax Rate Effective from Jan 2017 to Mar 2027

State General Fund	3.9375%
City/County General Fund (Bradley Burns)	1.0000%
Atascadero Transactions & Use Tax (ATAC)	0.5000%
Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health/Welfare/Public Safety)	1.5625%
Countywide Transportation Fund	0.2500%
Total Rate	7.7500%



Sales Tax is distributed to the City by the State in monthly installments which lag significantly behind the period in which the sales occur. The monthly payments are beneficial to cash flow, but until the end of the payment period (in this case late September), the payments are a reflection of statewide formulas and not necessarily a reflection of the City's actual sales.

HOW IS SALES TAX HANDLED ON INTERNET PURCHASES?

Under federal law, states cannot require businesses without an in-state physical presence to collect taxes on behalf of the consumers. This means that the State can require internet retailers with sales offices, stores or warehouses in the state of California to collect taxes on your internet purchase. The tax from those purchases is

then allocated to the jurisdiction where the sales office, store or warehouse is located, not to the jurisdiction where the product was purchased or delivered (your home).

Internet retailers without a physical presence in the State are not required to collect sales tax; however the consumer is required to pay a use tax on the purchase. California state law requires that consumers that purchase personal tangible property (anything from shoes to boats) from out of state are liable for use tax on that purchase at a rate equivalent to the sales tax. So if last year you purchased a book from Amazon and did not pay taxes at the time of purchase, state law requires that you report that purchase on your income tax return and remit the use tax to the State at that time. The use tax is then allocated to the State or County pools as appropriate.

The State is currently cracking down on use tax reporting and there have been multiple proposals to close internet sales loopholes; however both the State and City continue to lose much needed sales tax to internet purchases.

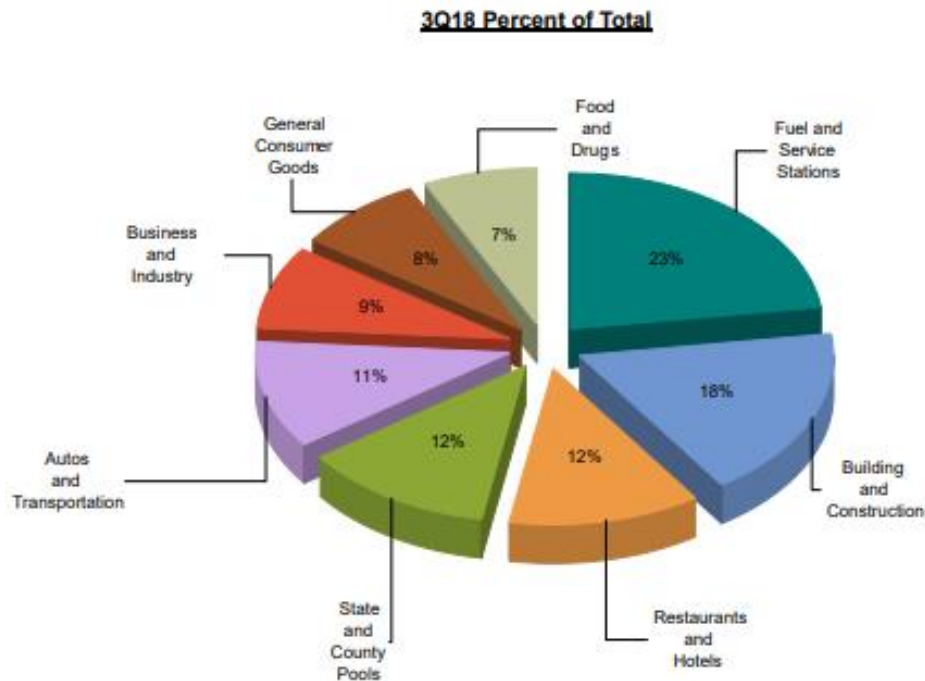
The City Manager is currently on a League of California Cities task force to evaluate potential changes in how sales tax is allocated due to the changing retail environment and the growth of internet sales. Currently, the allocation of internet sales varies depending on the location of the business, sales office, distribution warehouse and where the product is delivered (residence/business/retail store). The Council will be updated as more information and determinations are made at this state-level committee.

WHAT IS THE CURRENT STATUS OF SALES TAX REVENUES?

The City's sales tax consulting firm, The HdL Companies, provides information to the City's staff periodically to track sales tax revenues. HdL Companies bases their reporting on data from the California Department of Tax and Fee Administration (CDTFA). The CDTFA implemented new reporting software in May of 2018. There were significant problems related to the implementation and use of the new program, and as a result, a large number of sales tax returns were not processed in a timely manner. Payments to agencies, Atascadero included, were delayed, and the CDTFA is primarily reporting revenues in periods they are paid versus in the periods those were actually earned. HdL Companies have done extensive research to match up payments in order to report sales tax revenues accurately and maintain consistency between fiscal years. Attachment B to this report is the Sales Tax Update for the second quarter of 2018.

Beacon Economics reported that Sales Tax revenue in San Luis Obispo County increased a modest 0.4% in the first half of 2018 as compared to the first half of 2017. Sales growth in the County is trailing the other counties on the Central Coast and in the State. Despite the slowed growth, consumer fuel spending continues to be up.

Fuel and service stations are the largest sector of Atascadero sales tax, making up about 23% of the sales tax revenue. Sales tax from fuel prices has been very volatile in California for the last few years, and this can have an impact on revenues.

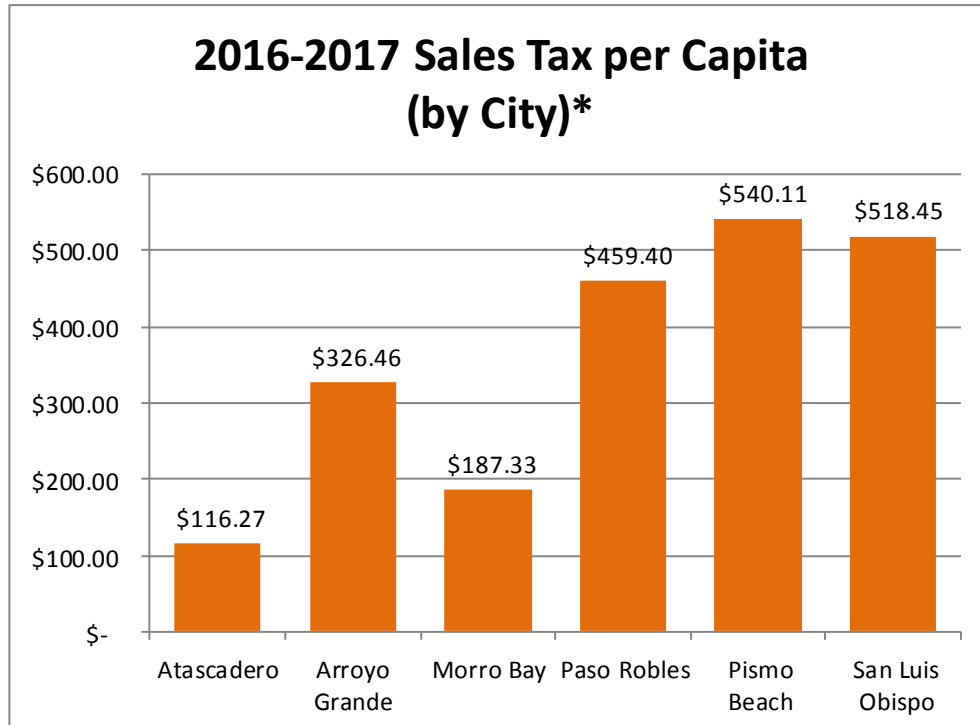


HDL is predicting continued volatility through the end of calendar year 2019. As shown in Attachment C- *HDL's California Forecast: Sales Tax Trends and Economic Drivers*, sales tax from fuel and service stations is predicted to increase slightly statewide from 0.2% in 2018/19 to 1.0% in 2019/20.

The building and construction industry continues to be the second largest contributor to the sales tax base for the City. Statewide, HDL is predicting a 4.5% growth in this sector in 2018/19 over the prior year, and another 3.9% growth for 2019/20. There are quite a number of residential and commercial projects on the horizon, and this sector is expected to remain strong in Atascadero.

Sales tax from restaurants and hotels is tied for the City's third strongest sector. Revenues from this sector continue to show positive growth and HdL projects they will be increasing 3% statewide over the prior year with continued predicted growth in 2019/20.

Atascadero's revenue per capita is one of the lowest in the County. As shown on the following graph, the amount that the City earns in sales tax per capita is indicative of some of the reasons why the community can't sustain the same level of services and amenities as some of our neighbors. Atascadero receives just over \$116 per resident compared with the receipts of Pismo Beach at \$540 per resident. This is a significant difference and is important to understand as we continue to address concerns for expansion of City services.



**Grover Beach financial statements were not available at the time of printing*

Sales tax overall was up 12% in fiscal year 2017/2018 versus the prior year, and it is expected to be fairly flat for the current year, fiscal year 2018/2019.

WHAT ARE SALES TAX REVENUES EXPECTED TO BE FOR THE NEXT 7 YEARS?

Sales tax is arguably the most volatile of the major revenues and is therefore the hardest to project in the seven-year revenue projection. When looked at as a whole, sales tax is closely tied to state and national indicators such as consumer confidence, availability of money, savings rates and other trend projections. It can be assumed that a portion of the City's sales tax may follow State projected trends. The LAO's forecasts an increase in California Sales Tax revenue for 2018/19 of 3.5% over the prior year, and another 3.7% increase for 2019/20.

Beacon Economics had some positive predictions for the County at their 2018 Central Coast Economic Forecast:

"Beacon Economics expects San Luis Obispo County to continue on-trend through 2018 and into the next couple of years. Growth in the labor market will continue, albeit at a slower pace than in previous years, through the rest of 2018 and at least through 2019. Business activity is expected to trend up as well. To be sure, headwinds exist, but there are a few upsides to look forward to. Consumer sentiment remains at or near historic highs, tight labor markets have yielded increases in wages, and the Tax Cuts and Jobs Act should provide a

moderate boost to business investment. Although the estimated impact of the tax cut varies, the consensus is an increase in consumption by both businesses and consumers.”

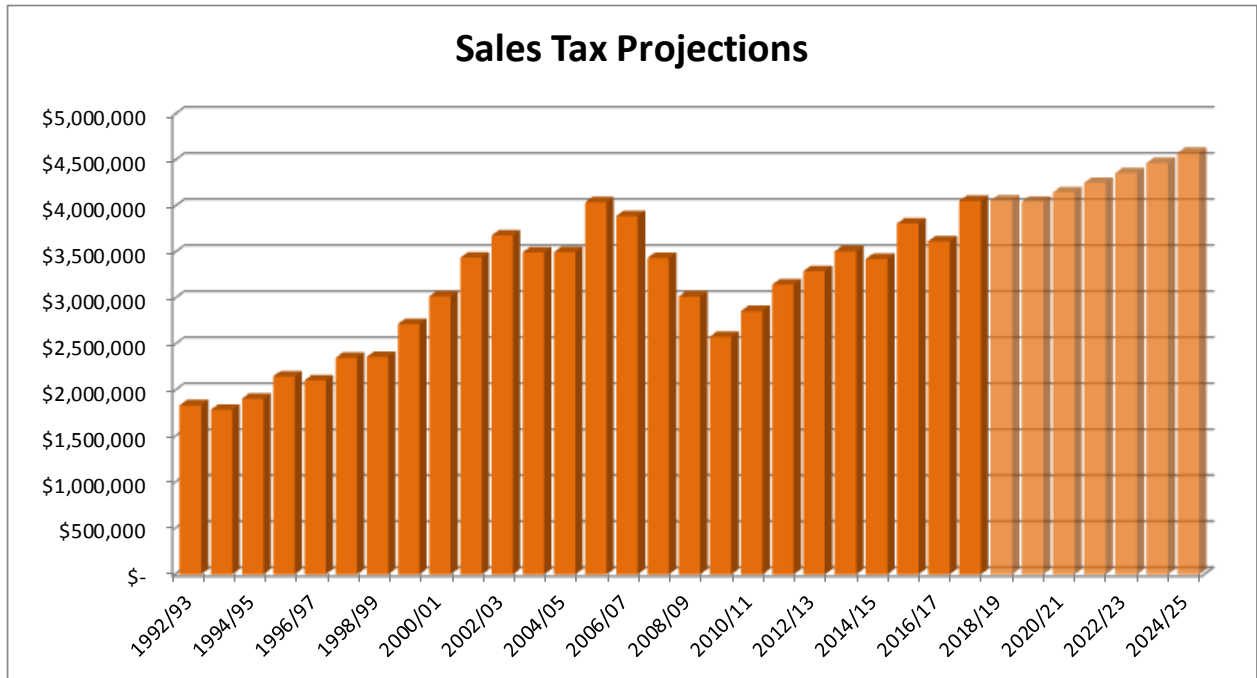
If the City of Atascadero had the same mix of business as the county as a whole, the county projections could simply be used. The City of Atascadero, however, is unique and does not have the varied tax base that the county has as a whole. The past may be looked at to predict what our recovery may look like. Unfortunately, there is one thing that most economists agree on - that is that this economic expansion is unlike any other. Therefore, looking to the past to predict what this economy may do is not going to work. However, that doesn't mean there is no value in reviewing past sales tax figures to understand what the City has experienced in the last several years.

An important component of making sales tax revenue projections is considering the unique business mix here in Atascadero and the Central Coast. Valuable questions to consider are: Which businesses are building? Which are closing? Which sectors are strong in Atascadero? Where are competitors opening? What are local businesses expecting? What are the trends in businesses here in Atascadero?

In order to update the sales tax projections for the next few years, staff met with HdL Companies sales tax experts, looked at projections from the LAOs office, discussed building trends, and looked at the expected effects of Council's current economic development policies and strategies. Over the next few months, staff will continue to meet with experts and refine sales tax revenue projections.

Current assumptions that went into the projected sales tax revenues were as follows:

- 2018/2019- Estimated a minor increase over the prior year as the CDTFA continues to clarify the reporting issues that were problematic in fiscal year 2017/2018 and through 2018/2019.
- 2019/2020- Assumes a flattening of sales tax revenue, as growth slows and additional retail outlets haven't yet come online.
- 2020/2021- Assumes continuing underlying growth of 2.5%, spurred by Atascadero's economic development efforts.
- 2021/2022- Assumes continuing underlying growth of 2.5%, spurred by Atascadero's economic development efforts.
- 2022/2023- Assumes continuing underlying growth of 2.5%, spurred by Atascadero's economic development efforts.
- 2023/2024- Assumes continuing underlying growth of 2.5%, spurred by Atascadero's economic development efforts.
- 2024/2025- Assumes continuing underlying growth of 2.5%, spurred by Atascadero's economic development efforts.



As with all projections, these assumptions are based on the information, policies and actions that are in place today. Changes in Council or State policies and/or additional information could and should adjust these projections. Staff will continue to monitor and update projections as things evolve.

Other Revenue

Property tax and sales tax account for about 60% of the City's General Fund revenues, however there are a couple of other significant revenues that should be discussed.

Transient Occupancy Tax (TOT)

TOT is collected from guests staying at hotels and vacation rentals within the City. The City has recently seen significant increases in TOT revenues, with the Council's emphasis on promotion and economic growth. With help from the Atascadero Tourism Business Improvement District (ATBID), these increases are expected to continue. TOT came in at \$1.3 million in fiscal year 2017-2018. Included within the Seven Year Projection are continued increases as the promotions and tourism focus of the Council continues to build momentum. The City agreement with the Chamber of Commerce pledges 6.5% of the TOT collected to the Chamber and 10% of the TOT collected is pledged to tourism promotions. The related costs are also included in the projections.

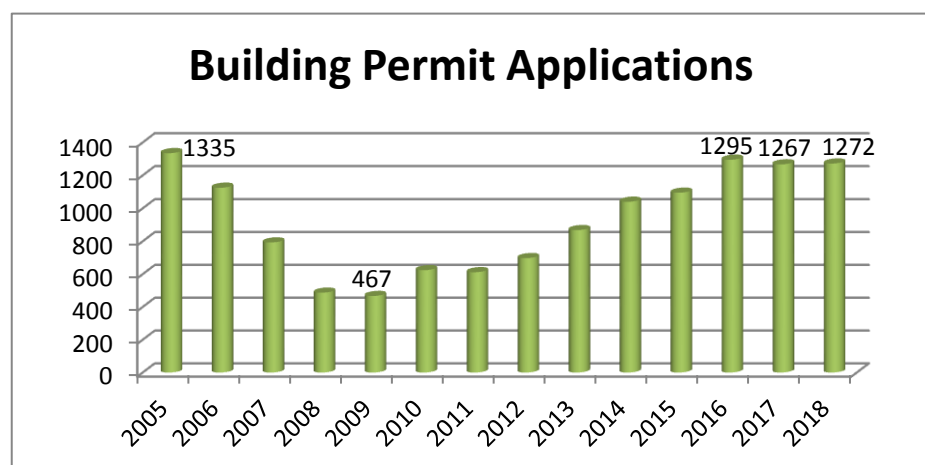
Franchise Fees

The City receives around \$1.1 million a year from franchise fees. These are a tax charged on cable, electric, garbage disposal, gas, wastewater, recycling and Chicago Grade Landfill. These fees are based on the revenues collected by each of the entities charged. These revenues have remained fairly flat over the years and are expected to remain flat. Predicted increases in garbage disposal and electricity franchise fees are expected to be mostly offset by decreases in cable franchise fees and gas franchise fees. It is unclear at this time what affect, if any, the closure of Pacific Gas & Electric's Diablo Nuclear Power Plant will have on Franchise Fees.

Building Permit Activity

Atascadero has seen significant building activity over recent years. In calendar year 2018, the City received 1,272 building permit applications and issued 1,131 building permits. This is a slight decrease in permit issuance when compared to 2017, at 1,180 permits issued. Building permit applications have remained relatively flat in the past two calendar years. There continue to be many large projects in various levels of planning or development and increases in activity is expected into the future.

Over the past decade, building permit activity in Atascadero has been rather volatile, reflecting the real estate boom and bust that occurred nationally. In 2005, the City received 1,335 building permit applications and issued permits for 330



housing units. By 2009, overall permit activity dropped to 467 permits with only 12 housing permits issued. Staff is currently working with applicants on over 781 housing units that are currently in the development or entitlement process.

Other Fees for Service

The City also receives over \$2 million a year in various fees for other services (including mutual aid). These fees include many items, including items such as zoo admissions, pavilion rentals, softball field rental fees, park rental charges, weed abatement charges, and vehicle release fees. These fees generally increase gradually over time, however, individually, they can increase or decrease over the prior period based on the activity for each revenue source. Development Fees are included in this total and are expected to increase during the current fiscal year as certain larger development projects are expected to occur. The City's last Service Fee Study was completed in 2014 and Service Fees have been adjusted annually to keep pace with inflation.

Interfund Revenues

The 2107-2018 audit included over \$1 million in interfund revenues. These are typically charges to other funds and departments within the city for services provided by the General Fund (such as legal, finance, capital project management, grant administration, affordable housing services, etc.). Staff has found it more efficient to allocate these charges out as Administrative Fees rather than charging a small portion of each support employee's time or a portion of each invoice to each fund directly.

Overall

The overall revenue projections show a slow but steady climb in revenues over the next seven years. In 2006-2007, the City received \$19.1 million in General Fund Revenues. The City was back to that level as of 2014-2015, and is projected to grow to \$24.9 million by 2024-2025. Revenues are scheduled to outpace expenditures by fiscal year 2023-2024.

Atascadero

Comprehensive Financial Strategy January 2019

Section 3- Operating Costs

Operating Costs

A healthy organization needs to review inflows (revenues) and outflows (expenses) on a regular basis in order to achieve balance over the long-run. Certainly, the Council has successfully navigated this balanced path over the years by holding to the fiscal strategy of saving up a little extra in the good years to use in the down years. Just as the City began recovered from the effect of the Great Recession, rising pension costs continued to limit the City's ability to increase operating budgets. Expense reductions were made over the last decade or so to artificially low levels in order to better balance the inflow and outflow equation. The demand for larger operating budgets will be a key component to consider as the 2019-2021 budget is developed.

Operating costs are typically the bulk of the outflow side of the equation. Given the City's relative lack of direct control of the inflow side of the equation (property tax, sales tax, TOT, development revenue), operating costs are an area where the City has more control to determine its own fate.

Operating costs are typically broken into four different categories in the budget document:

- Employee Services
- Operations
- Special Programs & Projects
- Capital Projects

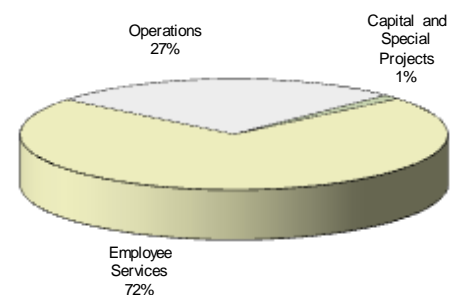
Each of these categories will be defined in this section, and assumptions of the projected costs of each of these will be reviewed. The effective growth management of these categories is what helps the City to influence the bottom line. For the last 15 years or so, cost growth has been reasonable minimized.

EMPLOYEE SERVICES

WHAT ARE EMPLOYEE SERVICES COSTS?

Employee services are the backbone of the community. The City is a service organization, so the largest portion of General Fund expenditures is dedicated to employee services. In fact, an average of 72% of General Fund expenditures for the budget cycle 2017-2019 were allocated directly toward the cost of employee services. It is critical that the significance of this component to the budget is well understood since it plays such a major role.

**Average Expenditures by
Category
2017-2019**



Employees are grouped into 6 different categories or bargaining units. (Atascadero Police Association, Atascadero Firefighters Bargaining Unit, Local 620 Service Employees International Union, Mid Management / Professional Employees, Non-Represented Professional and Management Workers and Confidential Employees, and Non-Represented Part-time employees.) Salaries and benefits for each of the four represented bargaining units are set forth in Memorandums of Understanding (MOUs). Pay and benefits for Management and Confidential employees are governed by a resolution of the Council and pay for part-time employees are governed by administrative policy.

The following are the general categories of labor costs that are found in the City's budget:

- *Salaries*- This base pay figure for full-time City employees represents 55% of the City's total General Fund labor costs.
- *Wages*- This is the pay for part-time or hourly employees such as scorekeepers, recreation workers and fire reserves. (3%)
- *Overtime*- This represents the amount paid in overtime to both full-time and part-time personnel. (4%)
- *Other Pay*- This category includes amounts paid to employees for items other than base pay. Items charged to this category include stand-by pay, holiday pay-off, uniform allowance, pay-off of vacation upon leaving the City and other similar pay types. (3%)
- *Benefits, Taxes and Insurance*- This category is made up of the following:
 - *Health Benefits*- Each full-time employee receives health benefits upon employment. The City contributes varying amounts towards medical insurance, dental insurance, vision insurance and life insurance. The amounts vary between bargaining units and whether coverage is for the employee only, the employee plus one dependent or for the employee and his/her family. Employees who were hired prior to September 1, 2000 are entitled to a "medical payback" stipend if they elect employee only coverage. The stipends range from \$240.56 - \$319.53 per month. Current MOUs require the City to pick up 100% of the increased health benefits cost for the employee and 50% of the increased cost for dependents annually. (11.5%)
 - *Retirement*- The City and City employees do not contribute to Social Security and are therefore required to participate in another retirement program. For part-time employees who work less than 1,000 hours per year, the City contributes 2.5% to a FICA Substitute / Defined Contribution plan. For full-time employees and part-time employees who work more than 1,000 hours a year, the City participates in CalPERS. The City is now on a three-tiered system for both sworn safety personnel and miscellaneous (non-sworn personnel) as discussed later in this Section. This is a defined benefit plan

- which means that the City is guaranteeing the benefit that the employee will receive upon retirement (in the case of tier 1 sworn personnel, 3% of the highest year's salary for each year of service the employee has upon retirement at age 50 or older). Contribution rates for this benefit change annually based on actuarial studies performed by CalPERS. (19%)
- *Medicare*- The City contributes 1.45% of pay to Medicare. (1%)
 - *Workers Compensation*- The City participates in California Joint Powers Insurance Agency (CJPIA) for workers compensation coverage. Cost of workers' compensation coverage is a formula based on payroll, the City's loss experience and the overall loss experience of CJPIA. (3%)
 - *Unemployment*- The City is self-insured for unemployment through the Employment Development Department (EDD). The EDD bills the City quarterly for actual unemployment benefits paid to former employees. (0.25%)
 - *Other Benefits*- There are other minor benefits afforded to employees such as the education reimbursement program and long-term disability. (0.25%)

Payroll is not just a function of salary and benefit amounts, but is also a function of the number of employees. The current budget includes funding for 125 full-time employees. With a few exceptions, part-time employees are budgeted with a lump sum dollar amount, rather than the number of employees. In fiscal year 2017-2018, 81 part-time employees worked over 39,200 hours or the equivalent of almost 19 full-time employees.

WHAT IS THE CURRENT STATUS OF EMPLOYEE SERVICES?

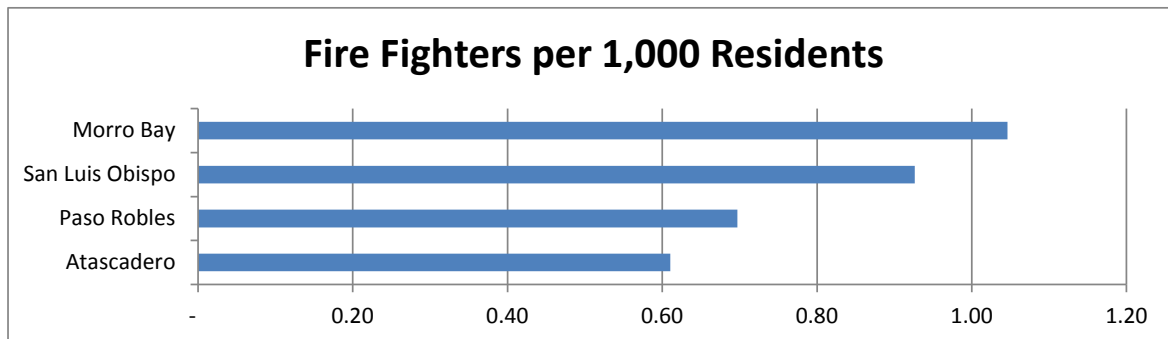
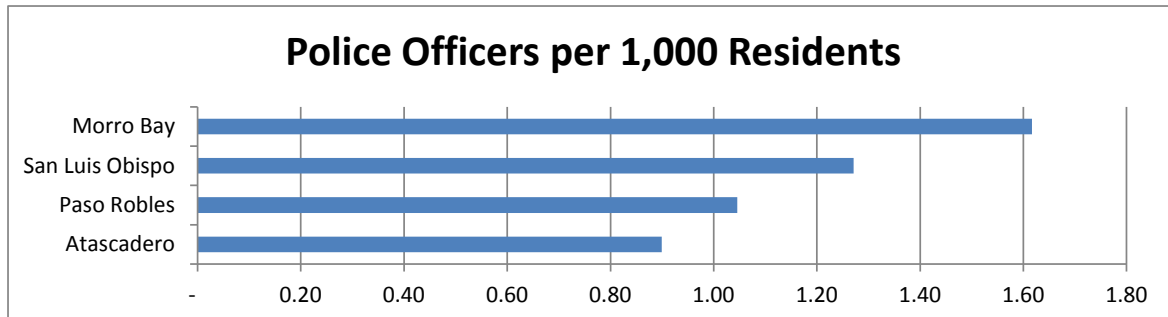
Staffing

Labor is one of the issues that will be of particular interest with the upcoming budget cycle. There is no group of people that can do more with less than the City staff here in Atascadero. Of course budgets have always been lean, but starting with the 2009-2011 budget cycle, lean took on a whole new meaning. With the loss of fifteen laid off positions (seven of which were vacant at the time), the remaining staff did their best to carry the load. During the 2011-2013 and 2013-2015 budget cycles, a continuing policy of "hiring chills" was also in place. This was a process where management evaluated each position that became empty due to attrition to determine if that position was a priority in the short run.

While this staffing policy kept costs to a minimum, it also caused staffing levels to be deficient in all departments. With the improvement in the economy, however, the City was able to add six full-time staff members during the 2015-2017 budget cycle. The City also added one full-time staff member during the 2017-2019 budget cycle. This certainly provided some needed relief, and although this is movement in the right direction, the nature of the City's resources cause the City to continue to lag behind other local jurisdictions when it comes to staffing level metrics.

This leaves many departments frustrated as coverage becomes an issue. Per capita staffing for both police officers and fire fighters is low compared to surrounding cities, making it difficult to effectively staff these 24/7 operations without using excessive overtime. This situation becomes even more difficult when employees are out on vacation, are sick, or have been injured on the job.

The two charts below show the staffing levels for police officers and fire fighters per capita as of June 30, 2017, in Atascadero compared to other local cities:



Employee retention and attracting the best and the brightest of the labor pool to fill vacant positions is much more problematic than might be expected. There is significant competition from other agencies whom are able to offer more generous salaries than Atascadero is able to. The market for labor is tight and employers are competing. As discussed later in Section 5, Atascadero has a lower per capita revenue than most cities in the county, making it more difficult to match salaries to other agencies.

Additionally, there is an ongoing shortage of law enforcement professionals. Agencies across the nation are having difficulties filling vacancies due to a lack of qualified candidates. In order to attract recruits, police departments are hiring candidates and paying a portion, or all, of the costs to put the recruits through the police academy. This shifts more of the costs onto the City and extends the period between hiring and getting the officer on the street. Atascadero has followed suit to remain as competitive as possible and is now paying the costs of the police academy for qualified candidates, certain uniform and equipment needs, and the salaries of these employees while they complete the police academy training. This appears to be the new norm in law enforcement.

Minimum Wage

California's minimum wage is scheduled to increase to \$15 per hour beginning January 1, 2022. The increases are scheduled on an annual basis and will increase by \$1 per hour every year through 2022. This will have a significant impact on City operations. The beginning rate on the City's part-time employee salary schedule is currently at \$12.41 per hour. The State minimum is \$12.00, and therefore all City employees are being paid at a rate higher than minimum wage. Each increase to the hourly rate will affect the City's ability to hire part-time staff to provide City services. Many of the part-time employees work in recreation-related activities where additional recovery of costs may not be an option.

California Minimum Wage Rate 2017-2022

Date	Minimum Wage for Employers with 26 Employees or More
1/1/2017	\$10.50/hour
1/1/2018	\$11.00/hour
1/1/2019	\$12.00/hour
1/1/2020	\$13.00/hour
1/1/2021	\$14.00/hour
1/1/2022	\$15.00/hour

It is important to understand this will not only affect the City's part-time staff and certain programs. It will also have an impact on staffing salaries in general. As the hourly rate increases annually, there is wage disparity between the entry-level position wages and the full-time salary schedule. For example in 2018, full-time Employee A earns \$18 per hour and part-time Employee B earns \$11 per hour. If the City increases only those wages necessary to comply with the minimum wage requirements, in 2022, Employee A would continue to make \$18 and Employee B would make \$15 per hour. While Employee A earned \$7 per hour more than Employee B in 2018, Employee A only earns \$3 more than Employee B in 2022. This very well may affect the City's ability to continue to provide all the existing programs, and may have far-reaching effects. This will be an important discussion item going into the 2019-2021 budget process.

CalPERS Retirement

The City is enrolled in CalPERS to provide employees fixed benefit retirement plans. In 2012, the Council adopted pension reform that separates the City's retirement benefits into three different tiers: 1) existing employees, 2) employees hired after 7/14/12, but already part of CalPERS, and 3) employees hired after 1/1/13 not previously part of CalPERS. Each tier has a related formula that is used to calculate future benefits. These changes to retirement are consistent with the California Public Employees' Pension Reform Act (PEPRA).

Details of each of the tiers for Safety and Miscellaneous are in the following tables:

Miscellaneous			
	Tier 1	Tier 2	Tier 3
Employees Affected	Existing employees	PERS members hired after 7/14/12	Non-PERS members hired after 1/1/13
Formula	2.5% @ 55	2.0% @ 55	2% @ 62
Contribution	4.7% of employee contribution rate	4.7% of employee contribution rate	6.5% of employee contribution rate
Salary Factor	single highest year compensation	3 year average compensation	3 year average compensation

	Safety		
	Tier 1	Tier 2	Tier 3
Employees Affected	Existing employees	PERS members hired after 7/14/12	Non-PERS members hired after 1/1/13
Formula	3% @ 50	3% @ 55	2.7% @ 57
Contribution	9.0% of employee contribution rate	9.0% of employee contribution rate	11.5% of employee contribution rate
Salary Factor	single highest year compensation	3 year average compensation	3 year average compensation

The calculation of the pension costs is a complicated actuarial process and involves a number of different assumptions and strategies. CalPERS Board of Administration (Board) authorizes changes to the assumptions and structural changes to risk pooling as they see appropriate to ensure the program remains properly funded. A number of changes have occurred lately that affect the City's pension costs including a change in the smoothing policy, changes to the risk pools, changes to the method of allocating the pool's unfunded liability, retiree life expectancy assumptions, and actual investment rates differing from assumed earnings rates. The most dramatic change came in December 2016, when the Board voted to change the discount rate from 7.5% to 7.0% over three years. The discount rate is the assumed rate of return on investments, or essentially, interest earnings. Decreasing the rate means the Board assumes that CalPERS will earn less interest income on its investments each year. As the discount rate is decreased, employers have seen large increases in the costs required to fund the retirement plans.

The City has two components to the CalPERS annual contributions. The first is the "normal rate", or the cost of pension benefits for one year. CalPERS' actuaries determine what the normal cost percentage is for each employer, and the employer pays an amount throughout the year equal to the percentage multiplied by the applicable payroll. The second component is a flat dollar amount known as the Unfunded Accrued Liability, or UAL. The UAL is also determined by CalPERS actuaries and the City pays it as a flat dollar amount at the beginning of the fiscal year.

The decrease of the discount rate is being phased in over a three-year period that began in fiscal year 2018-2019. CalPERS estimates increases in both the normal cost rate and the UAL to continue through fiscal year 2024-2025. The bigger change is the impact of the UAL. CalPERS currently estimates that the City's combined Miscellaneous and Safety UAL payment will go from about \$1.5 million in fiscal year 2017-2018 to about \$2.9 million in 2024-2025. This estimated increased UAL of about \$1.4 million over the eight year period is substantial given the General Fund expenditure budget for fiscal year 2017-2018 was about \$21 million.

The City's normal rate (excluding any City-paid employee portion) and the annual UAL for each tier for both the Miscellaneous and Safety Pools are listed in the following charts.

Miscellaneous

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Tier 1 - normal rate	10.85%	11.42%	12.14%	13.00%	13.00%	13.00%	13.00%	13.00%
Tier 2 - normal rate	9.10%	9.64%	10.33%	11.00%	11.00%	11.00%	11.00%	11.00%
Tier 3 - normal rate	6.91%	7.27%	7.07%	7.60%	8.90%	8.90%	8.90%	8.90%
Tier 1 -UAL	\$ 611,000	\$ 728,879	\$ 856,181	\$ 951,000	\$ 1,065,000	\$ 1,162,000	\$ 1,055,000	\$ 1,111,000
Tier 2 - UAL	\$ -	\$ 344	\$ 653	\$ 1,100	\$ 1,600	\$ 2,000	\$ 2,400	\$ 2,600
Tier 3 - UAL	\$ -	\$ 810	\$ 1,800	\$ 3,400	\$ 5,100	\$ 6,900	\$ 8,100	\$ 9,800

Safety

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Tier 1 - normal rate	19.72%	20.56%	21.93%	23.30%	23.30%	23.30%	23.30%	23.30%
Tier 2 - normal rate	16.84%	17.61%	18.93%	20.10%	20.10%	20.10%	20.10%	20.10%
Tier 3 - normal rate	11.99%	12.14%	13.03%	13.10%	13.10%	13.10%	13.10%	13.10%
Tier 1 -UAL	\$ 839,462	\$ 1,000,146	\$ 1,178,919	\$ 1,316,000	\$ 1,475,000	\$ 1,609,000	\$ 1,693,000	\$ 1,777,000
Tier 2 - UAL	\$ -	\$ 496	\$ 921	\$ 1,930	\$ 2,680	\$ 3,430	\$ 4,000	\$ 4,360
Tier 3 - UAL	\$ -	\$ 630	\$ 1,509	\$ 3,000	\$ 4,600	\$ 6,200	\$ 7,500	\$ 8,400

Vacation accruals

Vacation accruals are another issue to consider. Details on vacation and other leave accruals are discussed at length in Section 4 of this document. At this point, it is critical to simply understand that as employees utilize more of their vacation time, there are less people to accomplish the tasks for the vacationing employees. While in some cases the work could be delayed, in most cases, the work still has to get done on schedule and/or works shifts have to be covered. At the end of the day, what this really translates into is additional overtime costs. Overtime is an unavoidable component of spending down the vacation accrual.

Health Care

The City has been on the offense regarding health care costs. Health care benefits are important to the well-being of the employee group. As health care costs continue to be on the rise, the City continues to search for efficient options to meet the employees' health care needs. On January 1, 2015, the City switched from a traditional PPO Policy to a high-deductible policy. The City offers employees a choice of either the new high-deductible PPO (HD PPO) or a traditional HMO policy. Anthem Blue Cross is the provider for both. By switching to the HD PPO, overall savings were achieved for employees and they are pleased with the new option.

WHAT ARE EMPLOYEE SERVICE COSTS EXPECTED TO BE FOR THE NEXT 7 YEARS?

In order to project labor costs, a spreadsheet was developed which details salary and benefits for each employee. Every employee's expected labor costs were developed for each of the 7 years. Step increases and other expected pay changes as an employee moves through his/her career were built into the projections.

However, the projections do not include a cost of living salary increase in any of the fiscal years beyond the existing MOUs. A one percent cost of living salary increase for the current employees would amount to about \$120,000 of additional ongoing costs annually. This is not to say that staff is recommending a policy of no salary increases

for the next 7 years. Instead, these projections are intended to illustrate that labor costs will continue to need to be a function of available funding and the market. Currently, there are existing Memorandums of Understanding with all employee groups through fiscal year 2019/2020 that address cost of living increases.

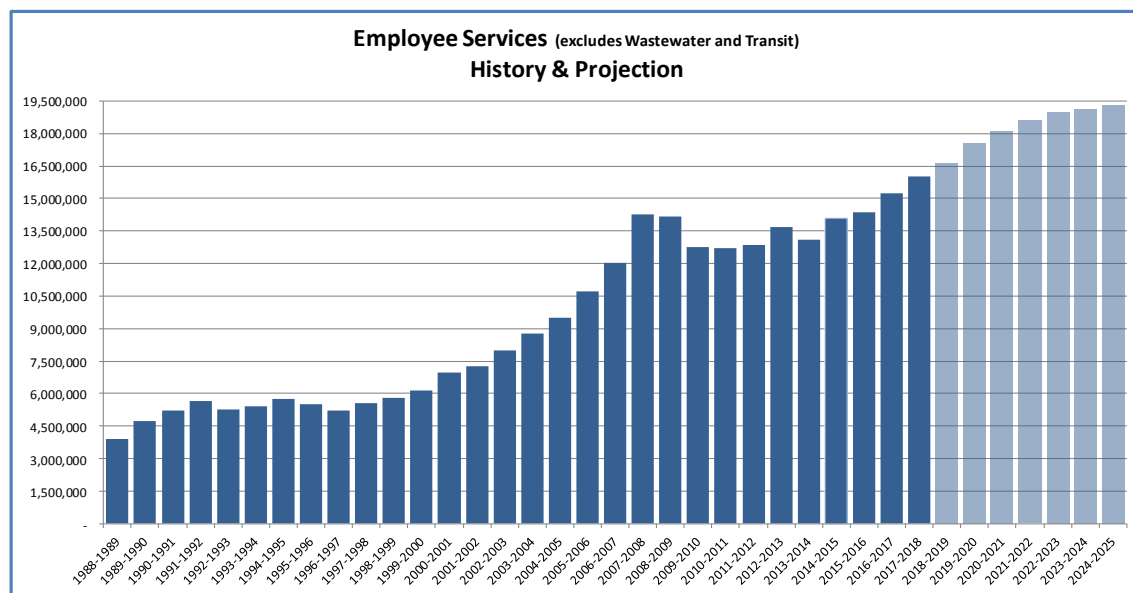
Annual Cost of 1% Salary Increase Fiscal Year 2018/2019	
	Cost of 1%
Police	\$ 39,500
Fire	24,100
SEIU	28,500
Mid Management	4,000
Management and Confidential	23,600
Total	\$ 119,700

Assumptions that went into the projected employee service costs were as follows:

- 2018/2019- Assumes that current employees remain in place, step increases are given to eligible employees, and cost of living salary increases are consistent with current Memorandums of Understanding. No increases were included for the required minimum wage escalation. Assumes medical insurance costs increase by 6%, workers compensation increases 9%, unemployment rates remain flat, CalPERS rates are 7.3%-15.2% for non-sworn employees and 12.1%-20.6% for sworn safety employees, and UAL payment of \$1.7 million (CalPERS actuarially determined rates). CalPERS rates for vacant positions are assumed to be Tier 2 for most positions.
- 2019/2020- Assumes that current employees remain in place, step increases are given to eligible employees, and cost of living salary increases are consistent with current Memorandums of Understanding. No increases were included for the required minimum wage escalation. Assumes medical insurance costs increase by 6%, workers compensation and unemployment rates remain flat, CalPERS rates are 7.07%-15.95% for non-sworn employees and 13.0%-21.9% for sworn safety employees, and UAL payment of \$2.0 million (CalPERS actuarially determined rates). CalPERS rates for vacant positions are assumed to be Tier 2 for most positions.
- 2020/2021- Assumes that current employees remain in place, step increases are given to eligible employees, and there are no cost of living salary increases. No increases were included for the required minimum wage escalation. Assumes medical insurance costs increase by 6%, workers compensation increases 2.5%, unemployment rates remain flat, CalPERS rates are 7.6%-16.8% for non-sworn employees and 13.1%-23.3% for sworn safety employees, and UAL payment of \$2.28 million.
- 2021/2022- Assumes that current employees remain in place, step increases are given to eligible employees, and there are no cost of living salary increases. No increases were included for the required minimum wage escalation. Assumes medical insurance costs increase by 6%, workers compensation increases 2.5%, unemployment rates remain flat, CalPERS rates are 8.9%-16.8% for non-sworn

employees and 13.1%-23.3% for sworn safety employees, and UAL payment of \$2.55 million.

- 2022/2023- Assumes that current employees remain in place, step increases are given to eligible employees, and there are no cost of living salary increases. No increases were included for the required minimum wage escalation. Assumes medical insurance costs increase by 6%, workers compensation increases 3%, unemployment rates remain flat, CalPERS rates are 8.9%-16.8% for non-sworn employees and 13.1%-23.3% for sworn safety employees, and UAL payment of \$2.79 million.
- 2023/2024- Assumes that current employees remain in place, step increases are given to eligible employees, and there are no cost of living salary increases. Assumes medical insurance costs increase by 6%, workers compensation increases 3.5%, unemployment rates remain flat, CalPERS rates are 8.9%-16.8% for non-sworn employees and 13.1%-23.3% for sworn safety employees, and UAL payment of \$2.77 million.
- 2024/2025- Assumes that current employees remain in place, step increases are given to eligible employees, and there are no cost of living salary increases. Assumes medical insurance costs increase by 6%, workers compensation increases 3%, unemployment rates remain flat, CalPERS rates are 8.9%-16.8% for non-sworn employees and 13.1%-23.3% for sworn safety employees, and UAL payment of \$2.91 million.



OPERATIONS COSTS

WHAT ARE OPERATIONS COSTS?

Operations costs are expenditures related to the regular ongoing operation of the department, including supplies, tools, utilities, insurance, contract services, and other similar expenditures.

Each year as the budget is being prepared, a target is established for the operations category. Even with some expenses increasing at rapid rates, departments were targeting minimal increases of 2% and 2.5% for the budget cycles 2003-2005 through 2007-2009. Due to the recession, departments were asked to *cut* operating expenses by 5% in budget cycle 2009-2011 in order to keep the deficit gap at a minimum. Departments were asked to cut operating budgets *an additional 5%* for budget cycle 2011-2013. These decreases in operations were effective in closing the deficit gaps to an amount that was consistent with Council's strategic plan. Certainly these cuts were not easy, but in the short term were achievable.

As the economy began to recover, operating budgets were increased 4% in budget cycle 2013-2015 (2% in each fiscal year), increased 6% in budget cycle 2015-2017 (4% in 2015-2016 and another 2% in 2016-2017.), and remained flat in budget cycle 2017-2019. As the cost of doing business continues to rise, additional increases will be needed to sustain service levels in the long-run.

Overall, the City has been able to keep these costs at a modest level. These operating budgets have been exceptionally tight during the recession, with the understanding that the reductions were a temporary solution until the economy regained strength. The employees continue to work hard at keeping costs down and are always looking for better and more cost effective ways to get things done. There are, however, a few areas of particular concern as the 2019-2021 budget cycle approaches:

- Regulations – While state and federal regulating agencies have good intentions with their various programs, compliance is becoming more burdensome and costly. The Air Pollution Control District, the Regional Water Quality Control Board, the National Fire Protection Association, Occupational Safety and Health Administration and other similar agencies have specific requirements that the City must meet. Programs such as the Storm Water Management Plan, Groundwater Monitoring, and the National Pollutant Discharge Elimination System are just a few of the many that affect the City. The trend is toward greater regulation in a number of different areas which increases City costs for permits, monitoring, equipment replacement, training, and compliance.
- Voter approved Propositions – Propositions such as Proposition 47, the Reduced Penalties for Some Crimes Initiative, and Proposition 57, the Public Safety and Rehabilitation Act of 2016, are continuing to have an impact on the City's public

safety costs. Proposition 47 was passed in 2014 and Proposition 57 was passed in 2016. Both have the effect of reducing and/or eliminating jail time for certain crimes. The City's police department works hard to keep the community safe, but when repeat offenders are not incarcerated and continue to engage in criminal activity in our community, the costs to the City and to the community will continue to grow. Additionally, other Propositions like Proposition 64, the legalization of adult-use marijuana, will inevitably impact the City's operational costs. This is new territory for California, and agencies across the state are continuing to try to determine what affect, positive or negative, this new Proposition will have on the budget.

- Water – Water plays a big part in operating costs. Both the cost of water the City needs to use to provide services and any costs related to control over local water rights or regulations enforced upon the City by other entities will affect the operating budget going forward.
- Animal Control – The City contracts with the County of San Luis Obispo for animal care and control services. Services provided include emergency and non-emergency response for injured and stray animals, investigative services for animal bites, abuse and neglect, sheltering and quarantine services, dog licensing, animal adoption, and other services as required either by State law or City Municipal Code. All of the incorporated cities in the county contract with SLO County for these services. The cost of the services has been growing over the years and is about \$293,000 in fiscal year 2018-2019. Additionally, County Animal Control will be building a new facility which will contribute an estimated \$120,000 - \$160,000 per year for the next 25 years. Atascadero, along with the other contracting cities, have been in collective negotiations with the County over the issue. Many of the services provided by the Animal Control Department are required by law and the City doesn't have the infrastructure or the staff time to effectively provide these services directly. Staff intends to work with the County on programs to reduce the community's need for animal services, thus reducing the cost of these services.

WHAT ARE OPERATIONS COSTS EXPECTED TO BE FOR THE NEXT 7 YEARS?

The projections assume mild growth in operating budgets to keep up and catch up with real costs. Reduced or flat operations budget are a feasible option over a short course of years, but are no longer sustainable. After cutting operations costs by 5% for each of the budget cycles 2009-2011 and 2011-2013, the City was able to gain 4% for the 2013-2015 budget cycle, and 6% for the 2015-2017 budget cycle (4% in 2015-2016 and 2% in 2016-2017.) For the 2017-2019 budget cycle, operations costs remained flat.

The seven-year projection assumes modest increases of 1% - 2% in operations costs, and a continued focus on keeping costs lean, smart, and effective.

SPECIAL PROJECTS AND PROGRAMS COSTS

WHAT ARE SPECIAL PROJECTS AND PROGRAMS COSTS?

Special Projects and Programs are costs that are either atypical expenses or other projects or programs that are not part of the City's regular operations. Included in this category are items such as community promotions, minor equipment, studies, intangible assets, community programs, and infrequent repairs or maintenance. Council increased the budget commitment for community promotions in fiscal year 2014/2015 to stimulate the local economy. This is anticipated to create a healthier economy and increase City revenues and is assumed to remain at a consistent rate.

WHAT ARE SPECIAL PROJECTS AND PROGRAMS COSTS EXPECTED TO BE FOR THE NEXT 7 YEARS?

The seven-year projection assumes special project costs remain flat across the period.

CAPITAL PROJECTS COSTS

WHAT ARE CAPITAL PROJECTS COSTS?

Capital Projects Costs are expenditures for new capital equipment with a life in excess of one year and costing over \$2,500, and capital improvement projects. Capital purchases are included in the budget only after supplemental budget requests effectively identify and justify the need for such a purchase. Many capital expenditures have been minimized or alternate solutions have been identified. However, the lives of some assets and equipment may no longer be extended and some items will need to be replaced in the near future. Staff will continue to pursue grants and effectively use donations when available for the purchase of these and other items as well.

WHAT ARE CAPITAL PROJECTS COSTS EXPECTED TO BE FOR THE NEXT 7 YEARS?

The seven-year projection assumes a flat \$50,000 each year to cover anticipated capital projects and expenses.

Conclusion

Atascadero has seen some tight economic times over the last decade or so. The economy is now in an expansion period and most indicators point to slow and steady growth for the next several years. Council has shown strong leadership in sticking to its financial strategy; tucking away reserves in the good years and judiciously using them as the economy dipped and now continues to improve. Undoubtedly, in light of an enhanced economy, concerned individuals, groups, and organizations will come forward to urge the Council to focus resources in a particular direction. The pressure will likely be significant to increase both one-time and on-going spending. The Council's strategic plan is effectively covering the temporary gap between revenues and expenses; however, revenues do not yet exceed expenditures. While this was the planned and purposeful strategy, the addition of significant expenditures would extend out the turn-around year. This doesn't mean that Council can't entertain anything new until that time; it simply means that the volume and mix of expenses and revenues should continue to be carefully considered.

Atascadero

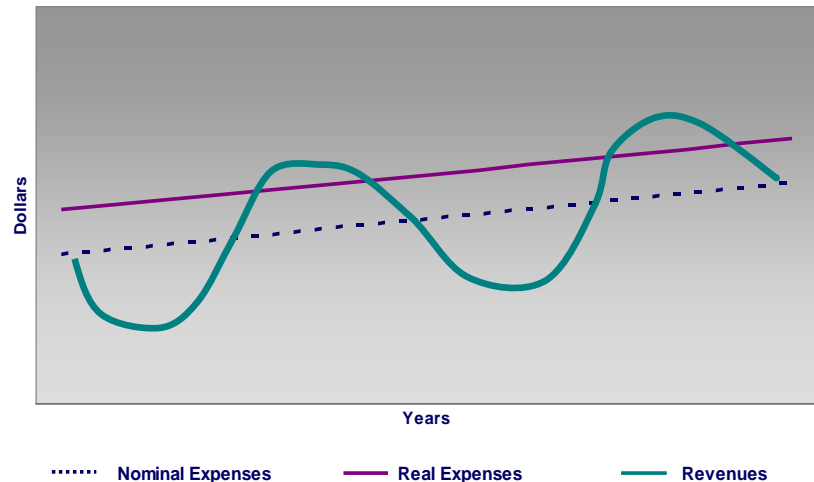
Comprehensive Financial Strategy January 2019

Section 4- Long-Term Costs

Long-Term Costs

In the financial strategy diagram to the right, there are two expenditure trend lines. The lower dotted line represents the strategic plan. That is the limit at which the expenditures are budgeted. However, there are many services that are being consumed that are not included in the bi-annual budget. The upper solid line includes not only the budgeted items, but also all

of the unseen expenses that will eventually come due. The City currently doesn't put any funding into Storm Drain Reserves, yet the storm drains are used constantly, and wear out a little more each day. At some point, they will need replacing and there will be a large price tag associated with this. Similarly, there is no reserve being set aside for replacement of park equipment. The parks in our community are very well used and are exposed to the elements. In fact, starting with the most recent economic downtown, there are several additional areas that were previously being funded on some level that are not currently budgeted. Although this expense holiday is helpful to keep the immediate use of reserves to a minimum, these unseen costs continue to incur and should be understood for thoughtful future planning since the City's infrastructure and facilities will eventually fail and need to be replaced.



Let's take the example of a hard-working teenager named Dominic. His parents agree to **give** him his first car as long as he can pay for its expenses. He thinks getting a free car sounds great, so he agrees to the deal and gets a job flipping burgers making \$12.00/hour. He works 10-15 hours a week. He feels good about himself. After taxes, he takes home \$5,800 annually. That's just the right amount to pay for his insurance, gas, minor car repairs, and of course, his girlfriend and a few video games. Satisfied that he makes enough money to accommodate all of the important things in life, our friend Dominic continues on his merry way.

Take home pay	\$ 5,800
Insurance	(2,000)
Gas	(2,200)
Repairs	(800)
Girlfriend	(350)
Video Games	(450)
Net	<u>\$ -</u>

Time moves on, and eventually Dominic finds himself several years down the road. Feeling successful that he's always been able to take care of himself without getting a loan from mom and dad, he hasn't made any lifestyle changes to improve his ability to earn more income or tuck away extra in savings. Therefore, he still works flipping burgers, an honest living. Thankfully, he gets a cost of living raise each year, so he has been able to keep up with inflation. Tragedy strikes when his beloved car finally breaks down and he has to buy a new one. He has not been saving up any money over the last several years, so he has to apply for a loan. Now, with the new car payment, he is unable to make ends meet. Dominic truly regrets not looking forward to prepare for this day by having made the changes that could have allowed him options now that his car is broken and he still has to get to work.

Take home pay	\$ 6,300
Insurance	(2,100)
Gas	(2,400)
Repairs	(300)
Girlfriend	(400)
Video Games	(520)
Car payment	<u>(1,380)</u>
Net	<u>\$ (800)</u>

It is true that the City is successfully navigating through the recovery after one of the most severe recessions in recent history, and a few more years of deficit spending appear likely. As we plan for the future, understanding some of the unfunded costs will help us to avoid making the same mistake that Dominic made.

This section analyzes some of the annual "hidden" costs facing the City. The information developed within the following pages has been verified to the extent possible. However, as more information becomes known or as experience modifies the facts or assumptions, the information will be modified. The intent is one of information; to provide general facts about significant business concerns facing the City. This information is essential to establishing a practical financial strategy.

This section of the report includes an in-depth discussion of issues surrounding street and bridge maintenance, storm drains, building and component replacement, technology replacement, vehicle replacement, and equipment replacement (collectively referred to as infrastructure); followed by a general discussion of wastewater assets; and finally a discussion of long-term leave liability.

Infrastructure

Infrastructure includes the basic facilities and equipment needed to run the City. It includes public infrastructure such as streets, roads, storm drains, street lights, sidewalks, bridges and other large capital items needed for transportation and water to flow smoothly. It includes facilities such as fire stations, police station, parks, the zoo, City Hall and other large capital assets that are needed to provide services to the public. It also includes the basic underlying capital assets needed for the day to day operations

of the City including computers, software, radios, breathing apparatus, police cars, tractors, fire engines, etc.

The research into these areas illustrates the need for reserve funds to deal with these business costs. The following table summarizes the findings contained in this Section. The Reserve Fund Strategy is the amount set aside in that fiscal year. The Annual Reserve Fund Requirement is the annual need for each of the areas if the City was able to provide full funding. The Reserve Deficit is the amount of money that should have been placed in the reserve fund to date.

INFRASTRUCTURE REPLACEMENT			
	Annual Reserve Requirement	Reserve Fund Strategy	Reserve Surplus / (Deficit) Balance 6/30/2018
Streets & Bridges	\$ 4,850,000	\$ 3,785,210	\$ (120,000,000)
Storm Drains	200,000	-	(3,500,000)
Building and Park Replacement	1,751,080	-	(16,635,800)
Technology Replacement	152,970	152,970	(94,210)
Vehicle Replacement	360,690	213,610	(642,670)
Equipment Replacement	200,900	-	(2,968,690)
TOTAL	\$ 7,515,640	\$ 4,151,790	\$ (143,841,370)

While this infrastructure deficit may seem daunting, remember this is what the City should have on hand to bring all of its assets up to a new status today. The City does not need to have all of assets in new condition to function smoothly and provide services to its citizens, and all costs certainly won't all come due in the near term. A "fair" condition for the roads might be the realistic targeted service level, and that is a much different reserve than assuming all roads need to be in "excellent" condition. Each infrastructure system needs to be looked at individually and when analyzing infrastructure funding, the City should look at immediate needs, long-term funding needs, when an asset needs to be replaced, what has worked historically, and what are the service levels the City can maintain.

Street and Bridge Maintenance

Introduction:

The City of Atascadero is responsible for maintaining almost 140 centerline miles of roadway. This network represents a substantial investment by the City, and has been identified as a critical concern of the community. This section deals with the street, bridge and other similar infrastructure maintenance responsibilities of the City.

Analysis:

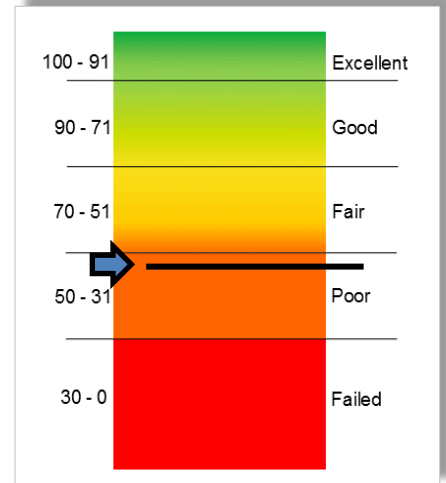
The Atascadero Road Program was developed in 1999 to focus the City's efforts in maintaining and protecting the roads of Atascadero in an organized, efficient and cost-effective manner. With the relatively high miles of road to maintain and the relatively low revenue per capita, keeping the City's roads maintained in a fair or good condition has always been a challenge. Ironically, some of the conditions that make the community so wonderful to live in, such as Atascadero's rural character and relatively low population, make it the most difficult to secure funding. Many federal and state road maintenance funds (i.e. Gas Tax revenue) are derived from population statistics. Similar to many other cities, Atascadero suffers from a funding short fall for road maintenance due to the aging road system, the economy that continues to recover, and the City's revenue base. The reality is that funding options from federal and state agencies are limited, leaving the City with fewer options for maintenance and rehabilitation.

Since the inception of the Atascadero Roads Program, significant effort has been made toward repairing the roads and minimizing the maintenance deficit. The Atascadero Road Program is based on local pavement management strategy. Pavement management is the process of planning the maintenance and repair of City streets, in order to optimize pavement conditions over the entire network. Pavement management incorporates life cycle costs into a more systematic approach to minor and major road maintenance and reconstruction projects. The needs of the entire network as well as budget projections are considered before projects are executed. Pavement management encompasses the many aspects and tasks needed to maintain a quality pavement inventory, and ensure that the overall condition of the road network can be maximized to the extent possible.

In March 2015, the City Council endorsed the Critical Point Management methodology for the City's Pavement Management System. The City utilizes a software program called StreetSaver® to manage roadway pavements. This software is one of the accepted industry leaders in pavement management technology. The road network and GIS information were entered into the program and then streets were field inspected for pavement distresses. The collected data is used to calculate a Pavement Condition Index (PCI) based on the 0 to 100 rating scale, 100 being excellent and 0 representing a failed road. StreetSaver® keeps track of the inspected conditions for each roadway segment (intersection to intersection) and any maintenance and improvement work is logged to keep conditions current. Funding scenarios are run using the critical point

management and PCI break points to develop a priority list of roadway segments that are included in the City 5-year Capital Improvement Program.

Visual field inspections were last performed in June 2014 for the 139 miles of municipally maintenance roadway system. At that time, the overall weighted PCI was 47 on a 100 point scale, which corresponds to “poor” pavement conditions. It is important to keep in mind that PCI numbers are relevant to one another and used as a planning tool for prioritizing where monies are best spent.



The breakdown by functional road classification is summarized in the following table:

Street Classification	Centerline Miles	Area (Square Feet)	Percent of System	Average PCI
Arterial	31.97	5,864,600	31.5%	58
Collector	21.62	2,793,731	15.0%	46
Residential	85.57	9,968,764	53.5%	41
Total	139.16	18,627,095	100.0%	47

The following table shows the PCI distribution in the street system:

Condition	PCI Range	Percent of System
Excellent – Very Good	100 - 90	7.89%
Good	79 - 70	9.47%
Fair	69 - 50	28.24%
Poor	49 - 25	38.76%
Failed	25 – 0	15.65%

Critical Point Management involves utilizing pavement management strategies, improvement techniques, and prioritization for roadway projects with the available funding that are geared to provide the lowest life cycle costs for the roadway system.

There are three common strategies in pavement management and project prioritization:

1. “Best First” – focuses on keeping best conditioned streets in good condition;
2. “Worst First” – focuses on improving the worst conditioned street; and
3. “Critical Point” – focuses on preventing streets from dropping into PCI ranges that trigger more expensive maintenance and improvements.

There are economical, safety, and social/political considerations in each of the strategies. The first two strategies are short-sighted and will allow roadways to degrade

and slip into a more costly PCI range for needed improvements. The critical point strategy is a long-range methodology that focuses on preventing roadways from dropping into PCI ranges that trigger more expensive maintenance and improvements.

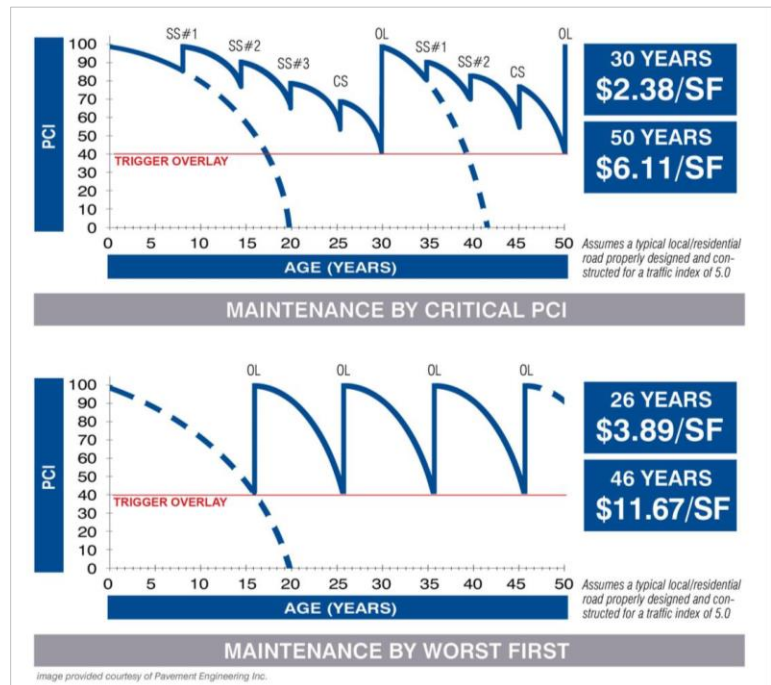
The charts to the right provide an example of the costs savings by employing the critical point management theory.

State and federal revenue streams for transportation are primarily funded through the fuel tax. Higher fuel efficiency vehicles, increases in electric vehicle use (which do not pay any gas tax) and changes in vehicle use patterns all affect the current revenue stream and foreshadow continuing declines in fuel tax receipts for future transportation investments. Even though vehicle miles traveled in California have increased by 25 percent and fuel prices have fluctuated significantly in that same time period, the California gas tax can't keep pace with the cost of road maintenance and repairs.

Funding available to the City for road projects has been a challenge. The City continues to maximize the projects that can be completed with the funding that is available, in addition to actively looking for any grant opportunities that may become available. The cost to maintain Atascadero's road system, combined with the declining availability of road funds to accomplish this maintenance, were key considerations for a sales tax increase that would primarily fund road projects.

In November 2014, Atascadero voters approved Measure F-14, a half-cent sales tax increase that became effective April 1, 2015. The voters also approved advisory Measure E-14 at the same time, indicating that the community preferred to spend that additional revenue on roads. Measure F-14 provides additional road funding and will work together with the City's existing funding sources to maintain/increase the citywide road conditions. Additionally, the Road Maintenance and Rehabilitation Act (SB1) provides an estimated \$530,000 annually to supplement the City's ongoing maintenance efforts.

The City has developed a 5-year Capital Improvement Program (CIP) for roadway projects, which includes projects funded by both Measure F-14 fund and existing City capital project funds. Over the five year period, the City anticipates spending about \$19 million to maintain and improve roads. StreetSaver®, using critical point management, is used to develop a list of roadway segments for consideration each fiscal year.



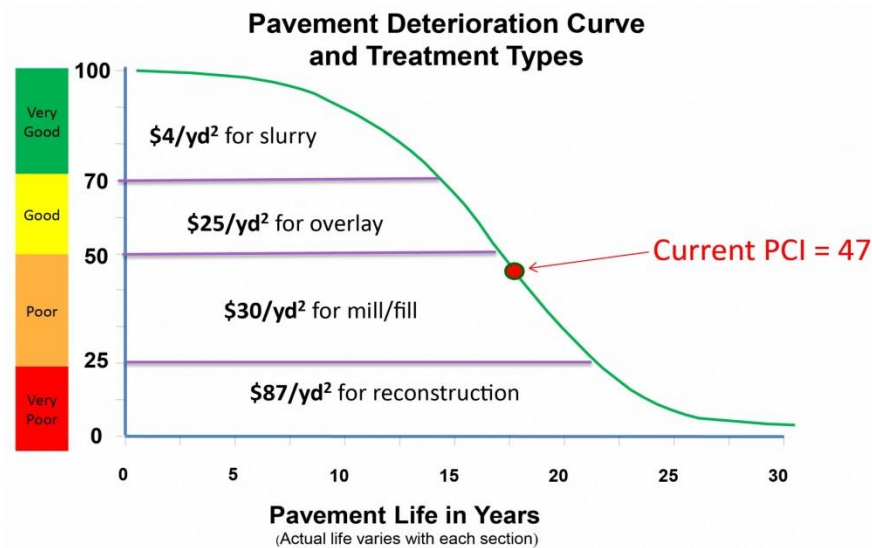
Roadway projects utilizing Measure F-14 funds are not combined with other roadway segments utilizing other funding sources. A separate list is generated for Measure F-14 roadway segments and non-Measure F-14 roadway repairs.

Staff projects that nearly 22% of city-maintained road system will be improved over the course of the current 5-Year CIP.

Functional Classification	System	Non-F14 Funds		F-14 Funds		Combined Funds		System ¹
	Length, mi.	Length, mi.	%	Length, mi.	%	Length, mi.	%	%
Arterial	31.97	10.05	86.3%	0.00	0.0%	10.05	33.0%	31.4%
Collector	21.62	0.27	2.3%	3.55	18.9%	3.82	12.5%	17.7%
Residential	85.57	1.33	11.4%	15.25	81.1%	16.58	54.4%	19.4%
Total	139.16	11.65	100.0%	18.80	100.0%	30.45	100.0%	21.9%

¹% of function classification total

The StreetSaver® pavement management approach will assist the City in optimizing available funding by focusing projects in the highest need ranked areas and performing lower cost preventative maintenance as much as possible to avoid higher cost reconstruction project. Spending funds on preservation (crack filling, seal coating, chip seals, etc.) delays or prevents major restoration projects, and results in lower long-term costs. Well-timed preventative maintenance of a roadways' surface increases its service life and delays the need for expensive rehabilitation or reconstruction. This is illustrated below in the cost per square yard for minor maintenance all the way up to major reconstruction.



In addition to roads, the City's infrastructure also includes bridges, the pedestrian tunnel, sidewalks, curbs, gutters, traffic signals, parking lots, and medians. The annual reserve deficit for the roads and bridges is estimated at \$4.8 million and an additional \$50,000 for the other items.

	Accumulated Reserve Deficit at 6/30/18	Estimated Annual Reserve Requirement
Street and Bridge Maintenance	\$ 120,000,000	\$ 4,850,000

Conclusion:

It is the City's goal to fully fund street maintenance and the Public Works Department has developed a strategy to maximize available road project funding. Measure F-14 and SB1 have been a boost in local roadway funding and will go a long way in improving the PCI of Atascadero's road system.

Storm Drain Maintenance

Introduction:

Atascadero's Storm Drain system has historically been a source of mystery and concern. The collection system is primarily a covert system; its purpose is to quietly collect excess runoff and keep the streets from flooding. Thanks to the efforts of the Public Works department, the storm drain system is fairly effective now in keeping the water off the streets and reducing the risk of flooding, but it hasn't always been like that. In the not too distant past, rains typically brought uncontrolled flooding, primarily due to the "organic" nature in which the system was constructed. By better understanding the system and evaluating the condition of each of the components, the City is better able to manage the system and be proactive in preventing problems.

Analysis:

To this end, in 2012, the Public Works Department inventoried the complete drainage system of all pipes, inlets, manholes and bridges and measured and characterized the location, size, material and general condition of each facility. There are currently over 28-miles of culvert or storm drain piping within City road right-of-way. The study created an initial priority list for future projects, and established a replacement schedule and the funding needs based on conservative lifespan and construction costs so as to not overstate the cost to maintain these facilities.

Using the information collected, a number of immediate maintenance and replacement projects were identified, and carried out within the limitations of the current Operations budget.

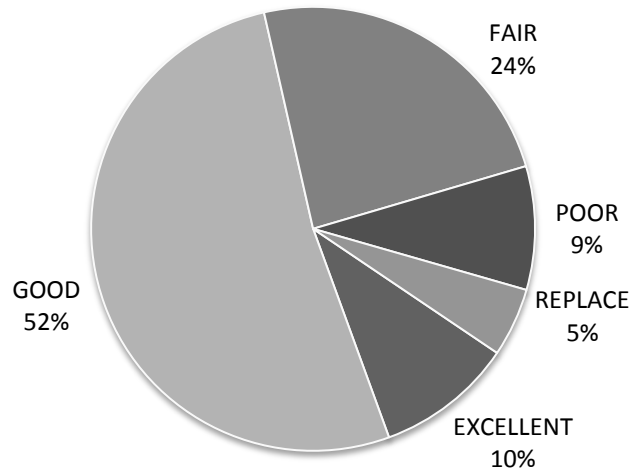
The following are some highlights of the study's findings:

Existing Storm Drain Inventory (2012 Study)

- 28 miles of existing culverts within the city's storm drain network
- A total of 1,740 individual pipe segments
 - 1,022 segments are CMP (shortest lifespan)
 - 416 segments are HDPE
 - 238 segments are RCP
 - 60 segments are PVC
 - 4 segments are Steel
- 1,440 segments are City maintained
 - The length of city maintained culverts is 24.4 miles
 - 48% of all city maintained culverts are CMP
 - Currently 3,180 feet of culvert is characterized as needing near term replacement

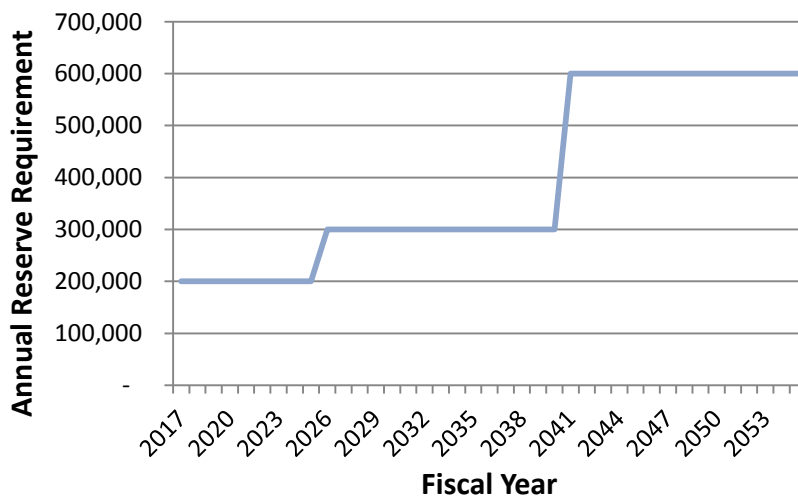
The following graph illustrates the condition of the segments in 2012:

Storm Drain Segment Condition



The good news is that 86% of pipes in the 2012 Study are considered “Fair” or better. That leaves only 14% in a condition that need replacement in the next 6 to 12-years. There is an immediate need to replace 5% of the culverts and storm drains over the next 5 years. A rough estimate of the annual storm drain replacement needs over a 9 year period is \$200,000 per year.

The future replacement schedule will significantly increase as CMP material culverts (primarily) installed in the ‘70’s, 80’s and ‘90’s reach their expected lifespan. The study concludes that replacement costs are estimated as follows:



	Accumulated Reserve Deficit at 6/30/18	Estimated Annual Reserve Requirement
Storm Drains	\$ 3,500,000	\$ 200,000

Conclusion:

The City gained a much better understanding of the Storm Drain system than it ever had before after the 2012 study was performed. The 2012 study, combined with additional data gathered during street inspections, has provided valuable information on the condition and location of each of the many components so the Public Works Department can best focus resources on the issues of highest concern. Although the system is aging, the bulk of it is in relatively good shape. The proactive approach to repairs of the storm drain components protect life and property by reducing or preventing flooding and helping to preserve the adjoining roads and infrastructure. City staff plans to perform an updated evaluation of the storm drains and culvert conditions and costs in the near future.

Building Replacement

Introduction:

The City of Atascadero owns a number of different buildings including City Hall, Police and Fire Stations, the Pavilion on the Lake, the Colony Park Community Center, and the City Corporate Yard. This section also encompasses a wide range of assets such as park restrooms, playgrounds, sports areas, building improvements, and Zoo exhibits, just to name a few. Assets of most departments are included in the following discussion, with the exception of the Wastewater Department.

Analysis:

The City keeps a list of all buildings and improvements within the City. The list estimates the original cost, replacement cost, size, age and remaining life of the assets. The list tracks all buildings, storage structures, park buildings and improvements, and Zoo exhibits along with the corresponding costs and depreciation. The amount of annual depreciation on the assets is approximately what the City should be setting aside each year in the reserve account to fund replacements and major repairs. The reserve deficit, the amount that should currently be in reserves, is estimated at \$20 million. This amount was previously much larger prior to the recent repairs and renovations to the building that have rejuvenated this large asset. The annual reserve costs for City Hall are estimated to be about \$910,300.

Fire Station #1 is showing signs of its age and has needed additional repairs in recent years. Staff is currently working with a consultant on some preliminary improvements. Once the details are available, they will be further discussed and analyzed as part of the upcoming budget cycle.

Maintenance and enhancement of the Charles Paddock Zoo and the animal exhibits will continue to be a priority. Many of the Zoo's needs are often met through the generous donations of the community. The Zoo has historically received donations both through the Friends of the Zoo, and directly from members of the community. The Thelma Vetter Red Panda Exhibit is a great example. Staff work diligently to maximize these funding sources by fulfilling the unmet needs of the Zoo, and follow up with City-funded resources when possible.

The current and annual reserve liability for building replacement is demonstrated below:

BUILDINGS		
City Department	Estimated Accumulated Reserve Requirements 06/30/18	Estimated Annual Building Reserve
Historic City Hall	\$ (4,858,210)	\$ (910,290)
Fire	(2,224,360)	(84,890)
Parks	(2,368,860)	(148,590)
Pavilion	(3,578,190)	(137,650)
Police	(3,060,510)	(121,700)
Recreation	(3,093,980)	(250,660)
Public Works	(250,640)	(31,490)
Zoo	(913,410)	(65,810)
Total Ideal	(20,348,160)	(1,751,080)
Current Funding Level	3,712,360	-
TOTAL (Deficit) / Surplus	\$ (16,635,800)	\$ (1,751,080)

Conclusion:

It is the City's goal to fully fund building replacement. The City was able to begin partially funding building replacement in fiscal year 2000-2001, and continued through 2008-2009. There is currently about \$3.7 million saved up in the fund. Historically, the building reserves were largely used to pay for repair projects and improvements which prolong the lives of the assets and keep them in good working order. In addition, staff actively looks for grants and other opportunities to augment available funds. The City has been successful with FEMA/OES and California Cultural and Historical Endowment (CCHE) funding for City Hall, grant programs such as the Energy Efficiency Grant for municipal buildings, and local donations. This has been an effective strategy thus far, and with a "new" City Hall, it is anticipated that the strategy will effectively meet the City's short-term (next ten years) needs. Like other long-term assets, however, the City should begin looking for long-term solutions.

Technology Replacement

Introduction:

The City has a significant investment and dependence on technology equipment throughout the different departments. The computers and associated software make-up a technology system that is crucial to the day-to-day operations of the City. The system represents a total value of over \$2.1 million including specialized software. This section deals with the current technology replacement responsibilities of the City.

Analysis:

Each department was reviewed for the number of computers and associated software necessary to complete department objectives. Expected useful lives and replacement costs are determined and used to calculate the amount of reserve necessary each year. As technology continues to emerge quickly, it can be difficult to know what the future brings. Technology staff are always on the lookout for newer and more efficient technology that will provide safe and effective computing tools for managing City business. The City has been funding replacement and maintenance reserve for technology for almost 21 years, and as a result, the technology reserve is almost fully funded. Both hardware and software are maximized and best efforts are made to stretch the useful life out as long as possible, while keeping a tight balance with efficiency.

The reserve fund allows for hardware and upgrades as determined necessary. Daily City business functions are dependent on the consistent operation of the City's computers, associated technologies, safety, data backup, and data integrity. Therefore, it is critical that the City have a designated reserve for the replacement of computers and other technology equipment as it becomes obsolete.

The annual cost to provide for replacement of the technology system is as follows:

TECHNOLOGY		
City Department	Estimated Accumulated Reserve Requirements 06/30/18	Estimated Annual Technology Reserve
City Council	(3,000)	(900)
City Manager	(34,700)	(3,150)
Administrative Services	(182,850)	(17,170)
Police	(640,450)	(15,430)
Fire	(336,100)	(12,100)
Community Development	(84,920)	(11,500)
Community Services	(33,000)	(5,260)
Public Works	(41,450)	(7,080)
Information Technology	(532,300)	(80,380)
Total Ideal	(1,888,770)	(152,970)
Current Funding Level	1,794,560	152,970
TOTAL (Deficit) / Surplus	\$ (94,210)	\$ -

Conclusion:

It is the City's goal to maintain a technology fund that will provide for the replacement and upgrading of technology as needed. Since the City began funding technology replacement in the 1998-99 budget, an adequate reserve exists to fund the City's technology needs in order to keep operations running smoothly and efficiently. Costs to fully fund technology have not been delayed as other reserve funds were. In addition to providing the opportunity to replace items as needed, the technology reserves allow the City to take advantage of newer and more efficient technologies as they become mainstream.

Vehicle Replacement

Introduction:

The City owns many vehicles that are operated in the various City departments, from patrol cars to parks vehicles. The estimated replacement value of this rolling stock is about \$5.2 million. Eventually, all of this equipment must be replaced as it becomes ineffective. Like similar tools addressed previously, vehicles are critical to performance of department objectives and in order to carry out the priorities of the community.

Analysis:

Ninety-seven percent of the value of the \$5.2 million in vehicles belongs to the police, fire and public works departments. All of these departments require employees to travel throughout the community with very specialized vehicles. Police officers need patrol cars to keep criminal activity in check, fire fighters need fire trucks and engines to fight fires, and public works need tractors, mowers, and service trucks to keep up the infrastructure and the community treasures.

These specialized vehicles are critical to the operations of the departments and are typically higher priced purchases. The Council's goal has been to fully fund the vehicle replacement fund. Vehicles, like technology, are used until they either become inefficient or inoperable. Savings can be achieved when a vehicle's useful life can be stretched out by one or more extra years. Staff has been conscientious about how this affects the City's bottom line and has utilized this technique effectively.

However, when the economy started collapsing, additional savings needed to be made. Beginning with the 2009-2011 budget cycle, it was necessary to cut costs beyond what was comfortable. The decision was made to delay annual replacement contributions on vehicles with useful lives exceeding 20 years: fire engines, fire trucks, dump trucks, and tractors. These vehicles in particular were delayed for annual funding because of the longer replacement period. The longer replacement period allows the City to fluctuate funding levels without affecting replacement timing. Similar to the City's economic strategy, the City can put away more when times are good and less when times are bad.

Most of these 20+ year life vehicles have not been annually funded for 4 budget cycles now. Through the generous donations of Bertha Shultz and the alternative solutions created by fire department staff, however, two Type I fire engines were refurbished and one Type II engine was replaced by an additional Type I fire engine. All of these purchases were funded by Ms. Shultz but would otherwise have required funding from the Vehicle reserves.

The accumulated reserve and the estimated annual reserve for vehicle replacement is as follows:

VEHICLES		
City Department	Estimated Accumulated Reserve Requirements 06/30/18	Estimated Annual Vehicle Reserve
Police	\$ (639,180)	\$ (129,810)
Fire	(1,706,690)	(194,000)
Community Development	(44,690)	(4,720)
Recreation	(35,650)	(1,350)
Zoo	(38,110)	(1,420)
Public Works	(12,780)	(640)
Streets	(204,200)	(24,310)
Parks	(64,840)	(3,030)
Building Maintenance	(23,860)	(1,410)
Total Ideal	(2,770,000)	(360,690)
Current Funding Level	2,127,330	213,610
TOTAL (Deficit) / Surplus	\$ (642,670)	\$ (147,080)

Conclusion:

As part of the normal budget cycle, staff will look at the City's fleet of vehicles to determine the appropriate amount of annual funding to ensure that vehicles are replaced in a timely manner without affecting General Fund operations.

Thanks to the careful planning of the Council and in part to generous community donations, the City has met its goal to have sufficient funding for the near-term replacement vehicles. Because the City has committed to annual contributing to vehicle replacement, near-term vehicles are replaced as needed. Re-establishing funding for City's fleet of long-life vehicles will continue to be something to consider as the next budget cycles draws near.

Equipment Replacement

Introduction:

The City has a significant amount of equipment which is essential to the operation of the City. These tools are necessary and allow employees to effectively perform their duties. The ideal strategy would be to work toward a program where replacement is funded annually, allowing the City to stay current with equipment. Wastewater equipment is not included in the estimates for this section.

Analysis:

Each department has specialized equipment that assists employees in performing their duties as expected. Office staff need office machines such as copiers, police officers need radios and radio repeaters, fire fighters need breathing apparatuses and jaws of life, parks employees need mowers and irrigation equipment. Grants have been an effective funding source for some of this type of equipment, but grants are not always available, and are even more competitive in today's environment.

While Staff does their best to keep existing equipment running for the maximum amount of time, eventually equipment ceases to be effective. Often times, specific items of equipment must be replaced to comply with new regulations or safety requirements. The City's budget has included some contribution to the equipment replacement fund during most of the fiscal years 2000/2001 through 2007/2008. And fortunately that was the case, because some of these funds were later used to either repair or replace equipment. However, with the economic downturn, the equipment replacement was one of the reserve contributions that was postponed in order to more closely make ends meet. There is currently about \$250,000 saved up in this fund for equipment.

The accumulated reserve and the estimated annual reserve for equipment replacement is as follows:

EQUIPMENT		
City Department	Estimated Accumulated Reserve Requirements 06/30/18	Estimated Annual Equipment Reserve
Administration	\$ (20,890)	\$ (4,300)
Police	(756,970)	(45,370)
Fire	(771,510)	(127,420)
Recreation	(208,200)	(700)
Pavilion	(94,210)	(870)
Zoo	(259,700)	-
Public Works	(5,400)	(1,180)
Streets	(284,770)	(2,430)
Parks	(817,040)	(18,630)
Total Ideal	(3,218,690)	(200,900)
Current Funding Level	250,000	-
TOTAL (Deficit) / Surplus	\$ (2,968,690)	\$ (200,900)

Conclusion:

It is the City's goal to fully fund equipment replacement; however, this has been a difficult goal to achieve. Equipment replacement was partially funded from about fiscal year 2000 to fiscal year 2008. Fortunately, these funds have been available to fund the replacement of needed equipment. City staff has been very successful obtaining grants for critical equipment replacement as it arises, and have recently received generous community donations to fund equipment such as a large portion of the breathing apparatus equipment and the Police Department has used special funding and grants for communications equipment and other police equipment. City staff will continue to maximize the equipment life to the extent possible, take advantage of savings opportunities as they arise, and continue to pursue grant funding as an alternative funding source. It is anticipated that with increased capital funding from the General Fund and anticipated grant funding, that the City will be able to meet its equipment needs for the short-term (within ten years); however like other long-term assets, the City should begin looking for long-term solutions.

Wastewater

The Wastewater system is a significant part of the City's infrastructure, but is excluded from the analysis in this Section. The Public Works Department recently updated its Wastewater Treatment Plant and Collection System Master Plans. From these studies, the City's current list of necessary Capital Improvement Projects and system upgrades will be updated to meet changing State and Federal regulatory requirements, General Plan modifications since the last master plan update in 2002 that will increase flows to the sewer system, and new system collection and treatment deficiencies identified by staff and consultants.

Wastewater collection and treatment involves year round, 24-hour per day energy intensive and highly mechanical processes. Pumps and equipment are particularly susceptible to constant repair, reconditioning, and replacement. Pipes and manholes are constantly exposed to highly corrosive liquids and gasses and have finite lifespans. Currently, the City has a relatively simple and low cost treatment plant technology compared to some other surrounding communities.

Future increased wastewater treatment plant technology is expensive as evidenced by the recent Paso Robles Wastewater Treatment Plant upgrade that cost \$50 million dollars. It is likely that a different wastewater treatment process will be required to meet future wastewater flows since there is no additional areas to expand the wastewater pond system. Preliminary estimates for a new wastewater treatment process is roughly \$20 million.

The City's current challenge is to maintain and operate what we have today, keep up with the replacement costs of the equipment and facilities described above, and prepare for future growth to build out as identified in the City's General Plan. While the revenues are stable and the City has benefited from low cost treatment and a relatively young collection system (1960's and 1970's), service fees haven't been updated for over two decades. The City is at a point where the current fees and rates only cover the on-going operations costs and near-term replacement costs. Staff is currently working with a consultant to complete a fee study to determine if and by how much those connection fees and annual sewer fees may need to be adjusted.

Once the long-term plans and the Fee Study are complete, staff will be able to more accurately update the Council on long-term wastewater system needs and direction for moving forward. Until then, suffice it to say that while the system is aging, it is still in fair condition and immediate needs can be addressed with current resources.

Leave Accruals

Introduction:

There are several different types of paid leave that accrue to full-time employees. These include vacation, holiday, administrative leave, sick leave, and compensatory time accruals. The amount of leave employees are eligible to accrue is governed by Memorandum of Understandings (MOUs), personnel contracts, and the Personnel System Rules.

Analysis:

Each employee is required to record time worked and time off in official attendance records that are recorded with payroll. Depending on the specifics of the governing MOU, contract and Personnel System Rules, employees earn paid time off each year. As the employee earns leave, it is accrued in an appropriate leave bank as leave hours. The employee may take these hours off of work during the year and be paid for their regular rate of pay for the hours, thus decreasing their leave bank hours. When an employee leaves the City they must also be paid for certain leave hours they have on the books. What is paid off is governed by law, MOUs, Personnel System Rules and past practice. If all City employees left the City on June 30, 2018, the total value of all leave accruals eligible to be paid off would have been just under \$1.4 million.

Leave Accrual	Dollar Value of Accrual
Vacation Leave	\$ 589,840
Holiday Leave	375,490
Administrative Leave	910
Sick Leave	249,001
Compensatory Time	175,817
TOTAL AMOUNT FUNDED	\$ 1,391,059

Vacation Accrual

Typically the City's vacation accrual balances ebb and flow with the economic tide. As the economy is tight, fewer employees leave the City and thus there are fewer vacation payouts, increasing the liability balance. As the economy perks up, employees take more vacations and the vacation liability balance decreases. Affecting the leave balance to an even greater extent is the tight staffing in each of the departments. Atascadero employees are a loyal group of individuals and are dedicated to getting their work done. Because staffing is tight, overtime budgets are tight and the work doesn't go away, employees tend to forgo taking time off. This increases the leave balances.

Historically, the City has had enough vacancies throughout the course of each year that the cost of paying out the vacation accruals was covered by the payroll savings with the unfilled positions. However, the extended downturn in the economy was increasing the leave liability and this long-term practice was inconsistent with the City's written Personnel System Rules which required a cap on vacation accruals. In order to achieve more consistency between established practice and written policy, the Council approved changes on June 12, 2012, to the Personnel System Rules affecting the maximum vacation accruals.

Individuals employed with the City prior to July 1, 2012, had their vacation leave split into two banks on October 20, 2012; a historical bank and a current leave bank. All vacation time earned subsequent to that date accrues to the current leave bank and will cease to accrue when that bank balance has reached two times the employee's current annual accrual. After the one-time split into the historic bank, no more time will be accrued into that bank. Time in the historic bank may only be used after all the time in current bank has been exhausted. Employees hired after July 1, 2012, only have a current bank and all employees cease to accumulate vacation once their accrued vacation balance has reached two times their current annual accrual.

Vacation Accrual at 6/30/18	
\$	589,840

The updated vacation accrual policy requires that employees take enough time off to avoid hitting the maximum accrual amount. This new practice has reduced the long-term liability, and is healthier for the employee; but it does not come without operational costs. The operational issue with this is that the work of the vacationing employee doesn't dissolve as the person vacations, and there is still the same number of employees to get the work done. This often means overtime to cover the shift or get the work done. Staff will continue to consider this effect as the new 2019-2021 budget is developed.

Holiday Accrual

There are similar staffing issues that result in increasing holiday pay accruals. Employees receive 12 paid holidays per year (Fire receives 5.6 shifts per year). Some employees are unable to take the holidays off when the holiday occurs due to the nature of their position. Primarily, this is a function of the 24/7 scheduling of public safety. Employees of both Police and Fire work regularly on holidays and accrue the paid time off. The MOU between the City and the Police department allows employees to either take the time off or to be paid off annually for the holiday time accrued. (Most eligible employees are paid off annually and this amount is included in the police budget.) The MOU with the Fire department does not include a similar annual payoff. Because the

staffing levels of the Fire department are also lean, employees tend to build up paid holiday time off as an alternative to causing the department to pay overtime to backfill their shift. Gradually, the accruals build up. There is no maximum cap for holiday accruals. The value of this accrued time is paid out to the employee upon termination of employment. Hiring of a replacement employee has historically been postponed until payroll savings on the vacancy is enough to cover the payout amount.

Fire Department Holiday Accrual at 6/30/18	Other Departments Holiday Accrual at 6/30/18	Total Holiday Accrual at 6/30/18
\$ 297,420	\$ 78,070	\$ 375,490

Administrative Leave Accrual

Administrative Leave is paid leave granted to certain positions that are exempt from overtime. It is common practice to include administrative leave in compensation packages for salaried positions. The employees in these positions usually work a significant number of extra hours, and receive administrative leave as a benefit in lieu of overtime that is typical of non-exempt employees. Administrative leave functions similar to vacation time except that it is tracked separately and is carried over to the next fiscal year only under specific conditions.

Administrative Leave Accrual at 6/30/18
\$ 910

Sick Leave Accrual

Sick Leave is provided to employees to minimize the economic hardship that may result from an unexpected personal or dependent illness or injury. It is accrued at the rate of eight hours per month (12.01 for Fire personnel) without a maximum cap. Some employee groups are eligible for an annual Stay Well Bonus that pays out a portion of the employee's sick leave accrual, at the employee's option, up to an established maximum. Additionally, some employee groups are eligible to receive up to one-half of the employee's accrued sick time paid out at termination. The City's policy and practice support an employee's use of his/her entire sick leave accrual bank, as necessary, with an appropriate verification documenting the illness or injury.

Total Sick Leave Accrual at 6/30/18	
\$	249,001

Compensatory Time Accrual

Non-exempt employees may choose to accumulate compensatory time instead of receiving overtime pay. The compensatory time credit is computed at time and one-half. The maximum hours non-exempt employees may accumulate is determined by the employee's MOU or Compensation Resolution. Compensatory time may be partially or fully paid out at any time at the request of the employee or may be used as paid time off in place of vacation or other similar paid leave. Compensatory time accrual is paid out to the employee at termination.

Total Compensatory Time Accrual at 6/30/18	
\$	175,817

Conclusion:

While the City's leave accruals are real liabilities, they have different characteristics than other long-term liabilities. As an employee terminates employment, the City pays out that person's leave liability. The City then has an option as to how quick to hire a replacement employee for that position and can opt to hold off until sufficient salary savings has been achieved to cover the outgoing employee's payoff. Of course, this can also cause operational issues, as the work does not go away. While often times a department is able to move around shifts or workloads to minimize overtime while a replacement is recruited, there is some level of service reduction during this period.

The City is a service organization and much of the General Fund is spent on labor. The leave liability is a part of doing business. This is not a liability that we would expect to have to payout all at once, but instead it's a liability that grows and contracts by relatively small amounts each year. The balance of the leave liability has often been closely tied to the economy. As the economy booms, leave liability is used or paid off. Employees take vacations when they can afford to go to nice places and as staffing is less of an issue. Employees are also more mobile in a growing economy, not staying with the City for long periods and thus taking earlier payoffs. It is projected that because of the growth in the economy, the recent departures of long-term employees and the implementation of the vacation policy, that the liability will be contracting for the next few years.

Summary

While the reserves and deficits discussed in this section may seem daunting, they are not unlike what other cities face. The nature of government, its accounting methods, and citizens' desire for services make the funding of long-term assets very difficult until it becomes critical. Atascadero is ahead of the game by looking at these costs, analyzing them bi-annually, and determining what the horizon looks like.

The City has made incredible strides toward funding long-term assets since 1997 when the City did not have a financial plan and did not have a funding plan for any of its long term assets: vehicles and technology equipment are fully (or almost fully) funded with scheduled replacement of all assets, building reserve deficits have decreased, Measure F-14 and the road program are in place and, along with SB1 funding, have made great strides towards improving roads, and the immediate needs for equipment replacement have been funded through grants, donations and available funding. Evaluation of assets and the seven year projection show that the City can continue to fund immediate infrastructure needs throughout the projection period. There are no known immediate needs that the City cannot meet with current funding levels, so the City is fine and will continue to be fine for at least 10 years.

Unpalatable as it may be, the City will at some point need to look for additional funding mechanisms for funding long-term infrastructure needs. No matter how much we stimulate the local economy, the fundamental funding make-up of the City cannot support the vast infrastructure required for a City of this size. The City is meeting its short-term needs, so there is no action needed at this time, but the long-term needs should be kept in mind as the City moves forward.

Atascadero

Comprehensive Financial Strategy January 2019

Section 5- Reserves

Reserves

RESERVES

WHAT ARE RESERVES?

City finances are comprised of various funds, which for legal purposes have to be separated. For example, sewer charges are to be spent on maintaining and operating the wastewater system and may not be used to hire police officers or firefighters. One fund over which the Council may exercise considerable discretion is the General Fund. General taxes and receipts are deposited into this fund and the Council decides on how to spend these general revenues, whether it's for police, fire, parks maintenance, recreation services or other public services. (Of course restricted revenues such as grants or fees for services are also deposited into the General Fund and the City must ensure that these receipts are spent appropriately.) The City must cautiously guard its General Fund to ensure that there are always adequate resources to provide critical services to the public.

The term *reserves* is used quite universally in governmental finance. There are different types of reserves, different purposes, and different legal restrictions on them. Essentially, they are the collective amount of revenues in excess of expenses, or similar to what a company might term *retained earnings*. Typically, the General Fund reserves are the most carefully monitored as these are the most flexible and discretionary of all the funds. In a pinch, however, there are reserves in other City funds that could legally be tapped into if the City found it necessary.

General Fund reserves are often thought to be one indicator of the fiscal stability of an organization. In the early 1990's, the City of Atascadero had a negative General Fund balance, forcing layoffs and service reductions in order to weather the storm. In fiscal year 1995, the collapse of the Orange County Investment Pool hit the City and the General Fund reserves fell to an all-time low of \$-790,360. At that time, the City's audit carried a going concern: in other words, the City's finances were so bad that there was a serious question of ongoing solvency. Around 1998, as the economy was starting to turn around, Council adopted a fiscally conservative reserve policy and began to aggressively go about building reserves in order to avoid history repeating itself.

The General Fund reserves are broken down into different components, each with separate ramifications and costs. The Governmental Accounting Standards Board (GASB) changed how fund balances are classified and reported effective June 30, 2011. While the categories are similar, there are some differences. In the past, the Council, through the budget process, would designate a portion of the fund balance to be used for a specific purpose. This would show up as a designation in the financial statements. Under current GASB guidelines, the Council may still designate a portion of the fund balance for items such as roads, libraries, economic uncertainties, etc;

however this has no legal effect on the funds and thus does not show up in the fund balance designations. The new fund balance (or reserve) designations are as follows:

Non-spendable- includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Because some assets are not easily convertible to cash in a timely manner, the fund balance is designated to show the portion that is non-spendable or can't be spent within a timely manner. For example, the General Fund loaned the Redevelopment Agency \$1,375,175. This is reported as an asset of the General Fund, but since it is tied up in Redevelopment Dissolution, the General Fund will not get paid back on this loan for some time. Thus when taking assets minus liabilities to arrive at fund balance, we must report that \$1,375,175 of the fund-balance is non-spendable.

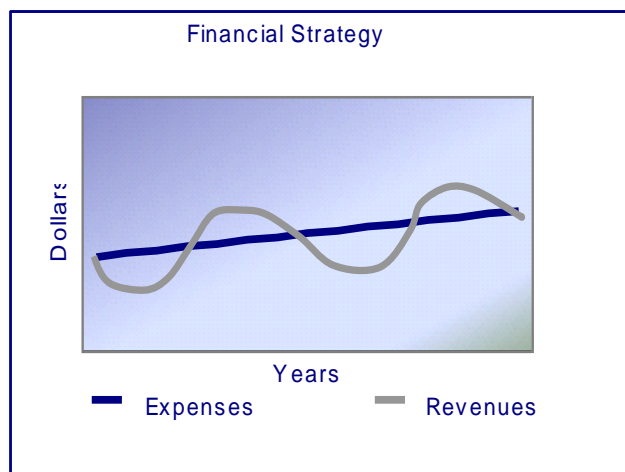
Restricted- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. For the City, these typically include the fund balances of most other funds. For example the fund balance in the Circulation System Impact Fees fund is constrained by state legislation (AB1600) which sets forth specific criteria for collecting and expenditure of these funds. The use of the fund balance is restricted.

Assigned- includes fund balance amounts that are constrained for specific purposes by the City through formal action of the City Council and does not lapse at fiscal year end. These amounts typically include encumbrances or amounts that Council has formally set aside by resolution or contract.

Unassigned- includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. These are funds that have not been earmarked for any specific purpose and are available for Council discretionary spending.

WHAT IS THE CURRENT STATUS OF RESERVES?

The City first adopted a Financial Strategy in 1998 and the results of having such a plan are clear. Over the years, the overall strategy has consistently been to maintain a conservative outlook by putting aside reserves in good times and then using those reserves during down periods to achieve stable operations. By employing this cautious strategy in the past, the City has been weathering the current valley in revenue fluctuations and increase in



pension costs. The City has used reserves along with other fiscal strategies to maintain services and ensure the City's long-term financial viability.

As of June 30, 2018, the General Fund reserve balance, excluding Sales Tax Measure F-14 activity, was almost \$9.9 million. During the 2017-2019 budget process, Council continued to support using reserves annually to close the gap between projected revenues and expenses. While the City originally budgeted the use of about \$913,000 in reserves for fiscal years 2016-2017 and 2017-2018, the City actually saw a net positive of the two years combined of about \$633,000.

In addition to General Fund reserves, it is equally as important to understand which other accounts there might be within the City that are legally accessible to the General Fund in order to meet its operational needs. There are two other sources of potential funds that could be considered. The first is the internal service account replacement funds and the second is unspent funds transferred to the Capital Projects Fund for road replacement.

Internal Service Account Replacement Funds - The City also has amounts set aside for replacement of vehicles, equipment, buildings and technology. The City has the legal right to transfer these funds back to the General Fund; however, it is not necessarily prudent to do so. Historically, the City has put away amounts annually so that as vehicles, computers, software and buildings become old and no longer function, the City has funds to replace them. These funds are legally available to transfer back to the General Fund; however, it does not change the time frame that roofs will have to be replaced or software will no longer be supportable. The City had \$6.7 million in unrestricted net position in the internal services funds as of June 30, 2018.

Unspent Capital Project Road Funds – In past budgets, the City Council approved transferring City General Funds to the Capital Projects Funds for road projects. While many road projects were accomplished with the transferred funds, approximately \$215,000 of these funds remain unspent. They are a good source of matching funds for capital grants related to projects within the five year capital improvement program; however, they are also available to be transferred back to the City's General Fund if the Council chose to do so instead.

WHAT SHOULD OUR RESERVES BE?

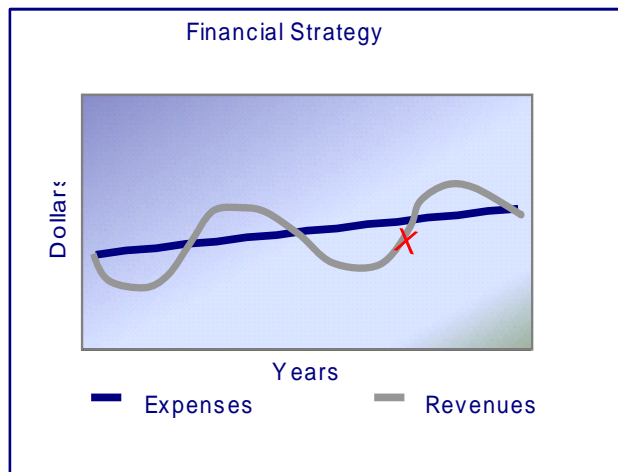
The Adoption of Reserve Policies in California Cities by Anita Lawrence asked "What is the amount of fiscally prudent reserve? How much would be enough to cover certain events and develop a sense of security for the organization and the community? At what level would the constituency begin to question it as too much? What is the risk tolerance of the organization and the community? What criteria should be used to make that decision?" There is no easy answer to these questions. Anita's research showed that "...if you asked 100 city finance professionals these questions, very few would provide the same mix of answers. The elements that are right for one city are entirely wrong for another."

The real question is: What is the right amount of reserves for the City of Atascadero, both at this point in time and for the foreseeable future? In order to formulate a reserve policy, it is important to address the following:

1. State of the Economy
2. The level of diversity in General Fund revenues
3. The stability of the revenue base
4. Potential actions of State and Federal agencies
5. Cash flow needs
6. Costs of potential natural disasters and emergencies
7. Asset replacement requirements
8. The consistency desired in service levels
9. Available opportunities
10. Needs of future commitments
11. Interest income earned on reserves

Measurement #1 – State of the Economy

In the City's reserve strategy, the largest driver of what should be done with reserves is the state of the economy. Are we in an economic boom?- if so we should be putting away reserves for a rainy day. Are we in a severe recession?- if so, we should be using



those reserves to stabilize services and the organization. Are we in a period of recovery?- if so we may still need reserves to stabilize services, but we need to be looking to the future to ensure that reserves will last. Are we in a stable period of flat growth?- if so, we should neither add to, nor use reserves. Our simple reserve strategy graph tells us what action we should take. So the question becomes, where are we on the graph? Is the economy booming, busting, recovering or somewhere in between?

Most economists agree that we have just gone through the worst recession since the Great Depression, and are even calling it the "Great Recession". Economists also agree that the economy is now in a current state of expansion, but while many of the indicators on are a positive trajectory, there are issues that should be closely monitored. The U.S. Bureau of Economic Analysis (BEA) reports that in the Real Gross Domestic Product was up 4.2% in the second quarter 2018 over the prior quarter and up 3.4% in the third quarter. The BEA also reports that personal income in California is up 4.2% in the third quarter of 2018 versus the same quarter in 2017. The U.S. Bureau of Labor Statistics reports that California's unemployment rate is down to 4.1% as of November

2018, the lowest since the recession began, and a stark difference from the high of 12.2% during late 2010.

According to Corelogic, the statewide median home price was up 8.6% in the second quarter of 2018 compared to the same quarter in the prior year. Beacon Economics reports that as of the second quarter of 2018, the median nominal price of an existing single-family house in San Luis Obispo County was 2.7% above its prerecession peak. Atascadero saw the greatest median home price increase of the County of 14.2% in the second quarter of 2018 compared the same quarter in 2017. The volume of existing home sales has been average, not quite reaching the level expected with such economic expansion. As the price of homes continue to rise however, declining affordability is expected dampen home sales in the near future. Beacon Economics further reports that while there are a few warning signs to monitor in the area of commercial real estate, the Central Coast remains an ideal place to invest in commercial activity.

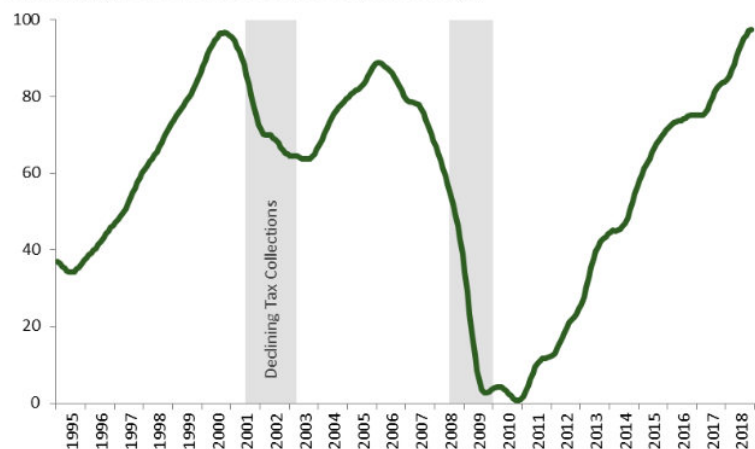
Existing Single Family Home Prices, Q2-18		
City	Median Prices (\$)	YTY %
Arroyo Grande	713,084	-4.0%
Atascadero	542,016	14.2%
Grover Beach	582,148	13.0%
Paso Robles	466,422	-2.2%
San Luis Obispo	792,070	6.7%
San Luis Obispo County	597,432	7.8

The California Legislative Analysts' Office (LAO) reported in November 2018 that the weakness in housing and stock markets was balanced by strength in job markets and consumer spending.

The LAO created the State Fiscal Health Index to track the strength of the economic conditions relevant to the State's fiscal health. The Index looks at ten key data points: home prices, home sales, residential and commercial building permits, the S&P 500 stock market index, venture capital funding, unemployment insurance claims, CalFresh claims, port traffic, and new car sales. The Index ranges from 0 to 100, the higher the Index, the better the economic conditions. Overall, it was reported that the November 2018 data suggested economic conditions were good and holding steady, although with decelerated growth, and suggested that the near-term State revenue outlook remains strong. That being said, the LAO cautions that economic conditions have not remained at such elevated levels for an extended period of time in the past and statewide housing data has recently shown some signs of modest weakness. In addition, the S&P 500 stock market index declined 9% between the end of November 2018 and the end of December 2018, and will need to be monitored throughout 2019.

State Fiscal Health Index

Index ranging from 0 (historical low) to 100 (historical high)



The bottom line is that current economic indicators, while generally in decelerated growth, continue to be positive. However, long run concerns linger regarding a number of issues and will continue to be evaluated:

- The US is in the midst of the second longest expansion in the nation's history. Will it continue?
- International trade policy is in flux and may have an economic impact.
- Will the high cost of housing be a deterrent to labor force growth and limit business development?
- How can the closure of Diablo Canyon Nuclear Power Plant be mitigated?

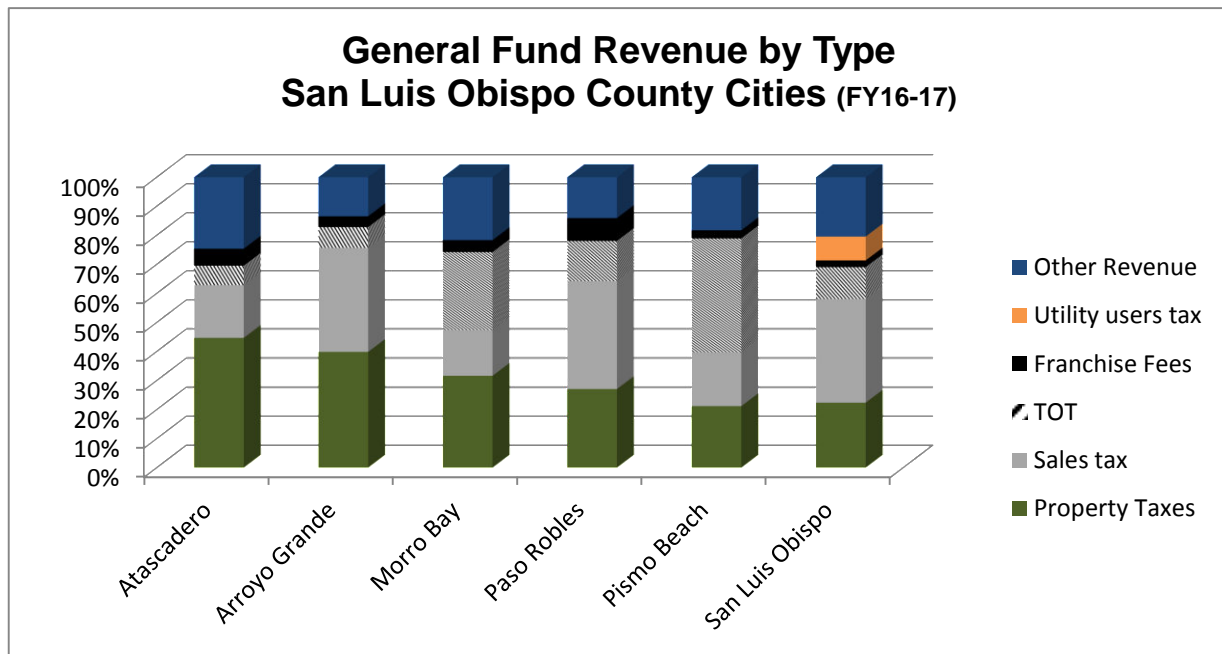
Atascadero's General Fund revenues reflect the current slow growth environment. General Fund revenues hit a low of \$15.6 million in 2009/2010 (from a high of \$19.1 million in 2006/2007). In 2014/2015, General Fund Revenues were finally back to pre-recession levels of \$19.1 million. In fiscal year 2017-2018, General Fund revenues were \$21.8 million and are expected to once again exceed General Fund expenditures in fiscal year 2023/2024.

Based on the financial strategy that the Council has been following, this means that the City should be still using reserves in order to maintain service levels for a few more years, but should do so judiciously. Continued monitoring and evaluation of the financial situation, reserves and reserve projections should continue to be used to ensure that reserve levels do not fall below the reserve minimum.

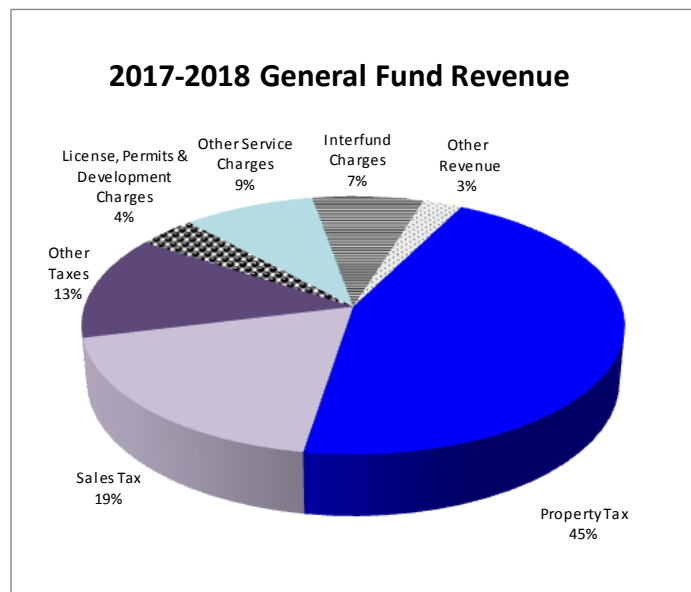
Measurement #2 – Level of Diversity in General Fund Revenue

One measurement to quantify an appropriate level of reserves concerns how broad a range of General Fund revenues the City receives and what the future holds for such revenue. Some cities have a very broad range of General Fund revenues not associated with fees. For example, Pismo Beach and Morro Bay enjoy a large amount of transient occupancy taxes (hotel tax). Other cities, such as Grover Beach and San Luis Obispo, have a utility user tax. This is a percentage of the cost of all utilities used by citizens of those cities, including gas, electric, phone, cable TV, and even those cities' own utilities of water, sewer, and garbage.

This table shows General Fund revenue by type for Atascadero as compared to other cities in the county:



Cities with fewer sources of General Fund revenue will require a greater amount in reserves in order to successfully weather a downturn in one revenue area. This is true for the City of Atascadero. Property based taxes accounted for 45% of General Fund revenues in 2017-2018, with sales tax accounting for an additional 19%. These two revenues sources alone account for 64% of the City's General Fund revenues. In the graph above, you can compare this to the revenue base for a city such as San Luis Obispo, which has a more diverse revenue base.



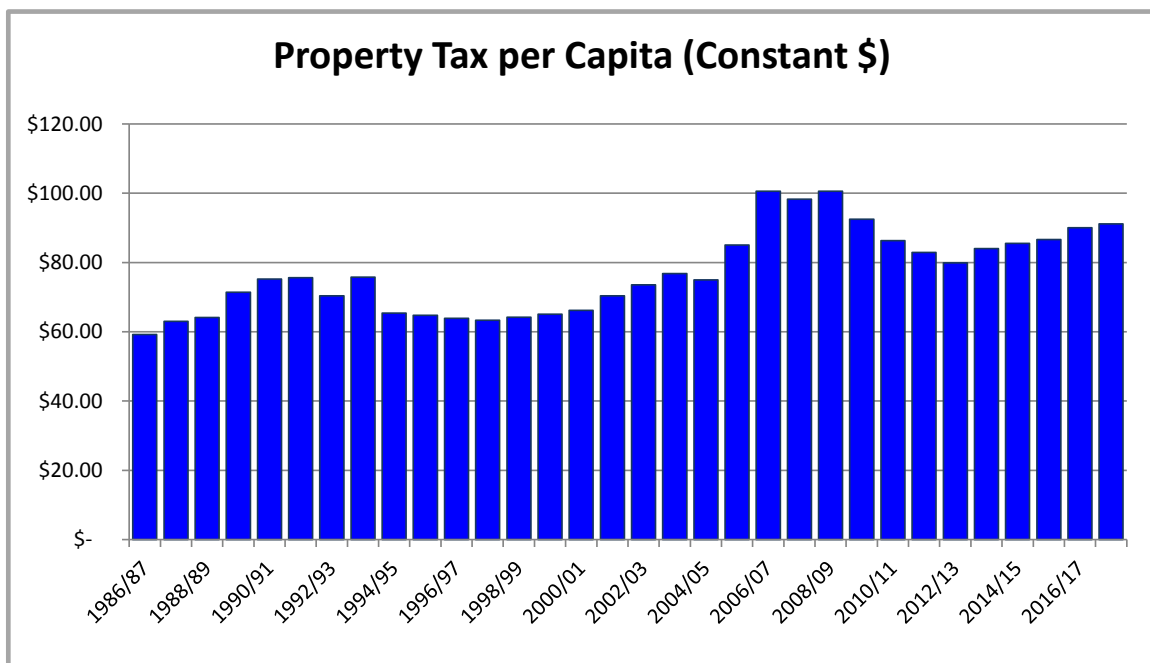
One reserve methodology dictates that reserve levels should be tied to the broadness of General Fund tax revenues sources. The greater number of revenue sources require fewer layers of reserves. Conversely, the fewer number of revenue sources require higher levels of reserves. As Atascadero's property tax and sales tax revenues comprise \$13.8 million of the \$21.8 million in General Fund revenues, the City is defined as having a narrow base of revenue-just two significant categories.

Measurement #3 – Stability of Revenue Base

As discussed above, General Fund revenues for fiscal year 2017-2018 were \$21.8 million. Seventy-seven percent of this was from taxes, with the balance coming from fees, grants, and other sources. The fees and grants pay for specific services or projects. To examine the tax base more closely, it is helpful to break it down further. Property tax comprises 45% of the revenues, sales tax 19%, TOT is 6%, other taxes 7%, development costs and other fees for services 13% and other revenues/interfund charges make up 10%.

Property tax is considered to be one of the more stable sources of revenue. Historically the property tax revenues have two components: (1) a stable base that does not vary drastically from year to year and (2) a housing market boom and correction component.

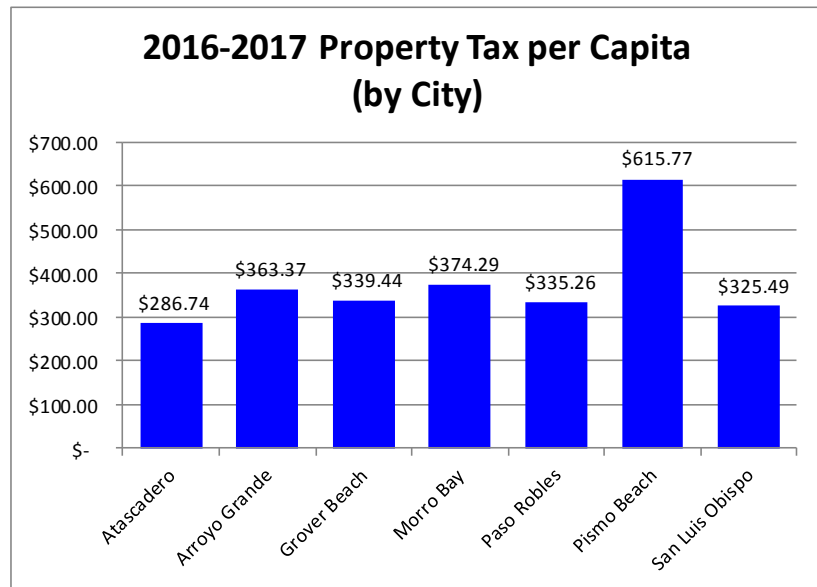
While there is a stable underlying base, this revenue does vary with the strength of the housing market. The table below shows property tax per capita on a constant dollar basis. The constant dollar smooths out changes for normal inflation so that we can see if we are better off than we were in 1987 or worse.



In California in the late 80's/early 90's and then again in the mid-2000's, the housing market did not follow normal inflation. Housing prices and new construction boomed causing spikes in the property tax revenue base, followed by a smoothing or flat period. Overall the smooth or flat period of revenue is the stable portion of the revenue base and is what the City can count on year after year. The spikes are periods of boom where there are opportunities for the City to sock away reserves and address one-time fixes. Since it appears that the real estate market has generally corrected itself and we are seeing signs of growth and recovery in the property tax base, it is reasonable to

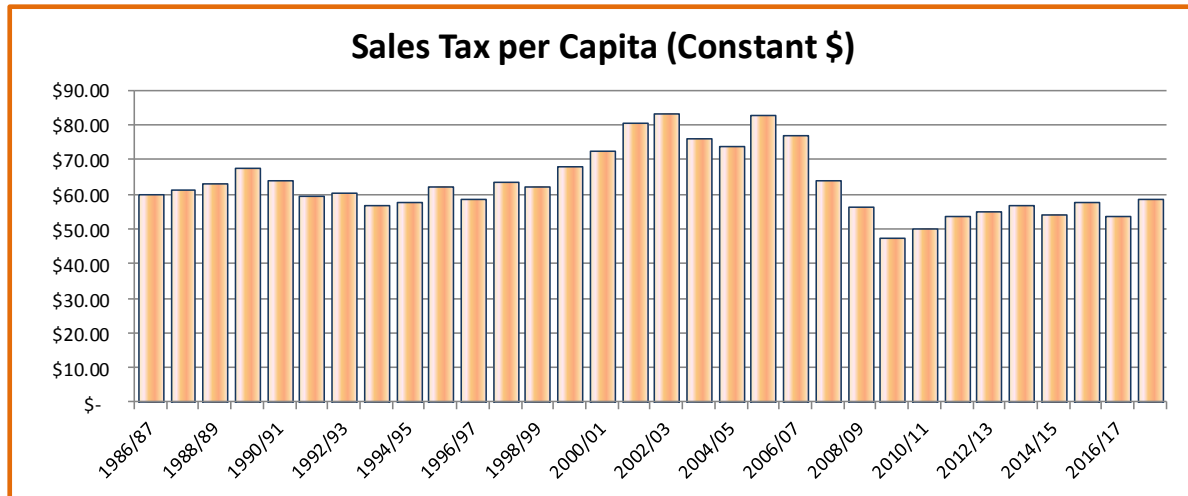
assume that we are now again the gentle growth period where the entire property tax base is considered very stable.

It is also interesting to compare Atascadero's property tax per capita with other cities in the county. The chart to the right shows that our community has the lowest per capita property tax in the county. It is true that in this county, each city has its own unique characteristics which often make it hard to do comparisons. Even with that in mind, however, this chart does make one thing painfully clear. Atascadero has less money per person to spend on essential functions such as public safety and parks that are critical to citizens of the community. In other words, the relative strength of our dollars per capita is not as good as that of our neighbors.



Sales tax is much more susceptible than property tax to fluctuations in the economy. As of 2017-2018, 19% of General Fund revenues came from sales tax. There are over 1,000 businesses that report sales tax within the City of Atascadero, however, the top 25 businesses account for about 54% of the sales tax revenue. The City's sales tax is currently heavily reliant on the continued health of the top 25 businesses listed in *Attachment B- HDL's City of Atascadero Sales Tax Update Q2 2018*.

The following chart depicts sales tax per capita, constant dollar, over the last 30+ years. Like property tax, it too shows evidence of the ebbs and flows of the market, but to a greater extent. Atascadero started experiencing an increase in this revenue after a new retailer came on line in fiscal year 2000-2001, but then a sharp decrease with the loss of two new car dealerships. The good news is that the City is seeing overall growth. Although we are not quite back up to the \$60.00 (1987 dollar value) per capita benchmark that we have historically enjoyed, the planned development throughout the City and the aggressive economic development policies of the City Council should bring us back over that benchmark in the near future.



One silent thief comes in the form of internet transactions. These transactions, when done via the internet, replace retail sales that the City would otherwise have earned sales tax revenue for. This trend has steadily grown and will continue to do so, further impacting future sales tax revenue.

Sales tax revenue on fuel is the single largest source of revenue by business group at about 23% of the total. As alternative energy vehicles continue in popularity and oil prices fluctuate, sales tax revenue from fuel will become even more volatile.

Measurement #4 – Potential Actions of Federal and State Agencies or Public Policy

When the State faced fiscal challenges in the early 1990's it simply transferred property tax revenues from cities and counties in effect to itself (known as the ERAF I & II shifts). In addition, the State reduced funding for counties, and in turn allowed counties to recoup these lost revenues by charging cities for services such as collection of property taxes and booking people into county jail. In the late 1990s, the State was in very good financial position and desired to give constituents a tax break. The State did this by reducing one City revenue (VLF) and promising to backfill it with a different one. Further, in 2012, in spite of the passage of two separate local revenue protection measures, the State eliminated Redevelopment Agencies.

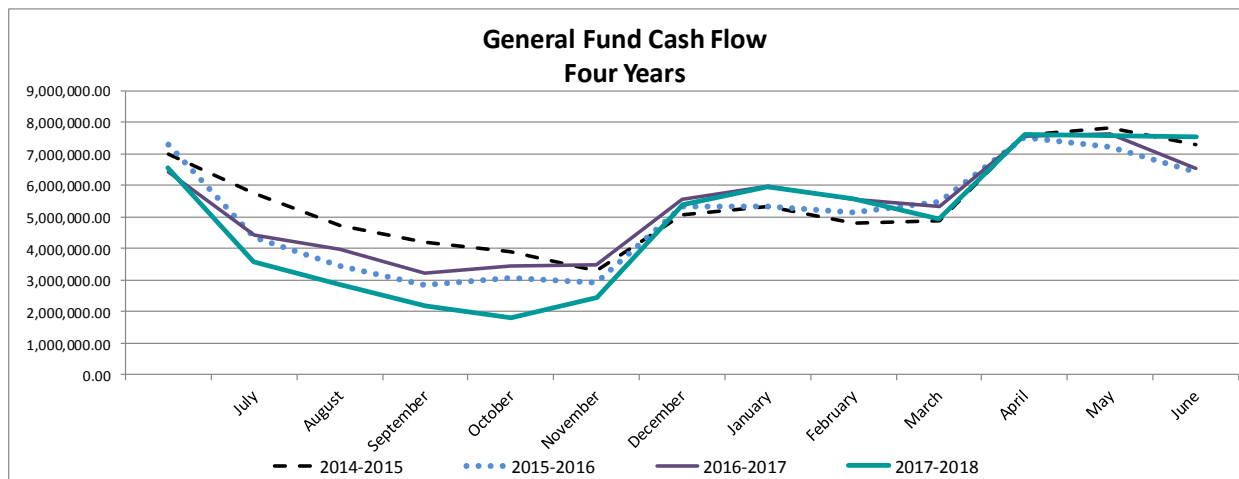
The City is currently more vulnerable to continued increased costs due to added regulations and shifting of costs. Unfunded mandates are becoming more typical and apply to regulations concerning water, storm water, pollution, employment, reporting/transparency, and law enforcement, just to name a few.

Additionally, propositions that are passed by the taxpayers can often have a fiscal impact on the City. Propositions 47 (2014) and 57 (2016) changed laws related to public safety and while these propositions reduce costs to the State Corrections system, they increase local law enforcement costs.

With the passage of Proposition 30 and the relatively improved financial health of the State, the risk of State revenue raids is lower than it has historically been. Although in a better position than in years past, the City's financial well-being continues to be vulnerable to political action.

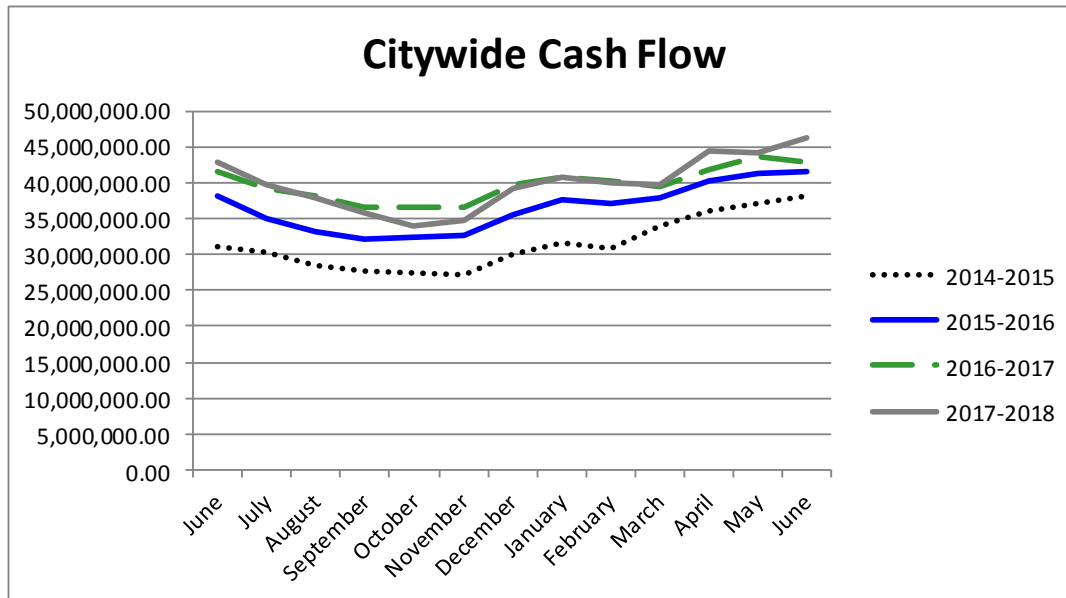
Measurement #5 – Cash Flows Needs

The cash flow needs of the City have a direct bearing on the amount of reserves needed. Unlike many private organizations and businesses with a steady cash stream, the City receives large portions of its annual revenues in chunks, twice a year. The fiscal year begins in July and ends in June. During the summer months, the City incurs more expenses for fire reserves, recreation programs, and capital projects than during other months of the year. However, the City does not receive its first fiscal year injection of property tax until late December, and then waits to receive the rest in late April. In other words, the City's general fund receipts go down from April through November while the City's disbursements go up during the same period.



At the current rate of continued use of General Fund reserves, the General Fund is not anywhere near having a negative cash balance. However, in the event the economy has another severe and prolonged downturn that further depletes the General Fund reserve, the City does have a couple of fairly simple options at its disposal.

1. The City overall does NOT have a cash flow issue. The cash balance on hand at June 30, 2018 was over \$46.3 million and the lowest cash balance in the last 3 years is \$32.2 million.



The City's General Fund can borrow funds from other available funds within the City. The City has over 40 funds in total. Some funds, such as the internal service funds mentioned previously, are not restricted at all and may be loaned or transferred back to the General Fund at Council's direction. Other funds may have legal restrictions on how they can be spent. The restricted funds, however, may be loaned to other funds as long as they receive at least the same interest as they would've received without the loan, and the loan does not interfere with the purpose of the funds (i.e. the monies are not slated to be spent prior to the payback period). The City does have many funds available to loan, especially for the very short period (2 – 3 months) that we are discussing. As always, borrowing funds does not come without concerns. Prior to any borrowing, projections of incoming funds and the ability to pay back should be evaluated and assessed.

2. As of June 30, 2018, the General Fund had over \$427,000 in loans that it had made to other funds. Typically loans to other funds are made for expenditures purposefully made in advance of receiving the revenues. This may be for a grant, where the funds must spend funds first and then be reimbursed, or it may be for impact fees, where the Council decides to build a specific project now in order to benefit future development, and then collects the funds as development occurs. These loans have historically been from the General Fund as it has had available funds on hand. Council could determine that these loans would be more appropriate from different funds, thus paying the General Fund back its cash.
3. Historically, the City was one of many cities that issued Tax Revenue Anticipation Notes or TRANs to cover annual General Fund cash shortfalls. The TRANs were issued through the California Statewide Communities Development Authority. Because the TRANs were tax free issuances and the funds were needed for just

a short period of the year, it was an opportunity for the City to cover the short period of negative cash, and earn interest on the funds for the rest of the year. The City was not allowed to participate in the TRANS issuance once it had positive General Fund cash flow throughout the year.

Ideally the City General Fund would have enough cash on hand to cover the annual cash ebbs and flows; however the City does have options for these annual fluctuations. A much harder look must be taken though, when the annual negative cash balance is no longer annual, but instead a long-term loan. It would not be consistent with Council's conservative fiscal policy to allow reserves to fall so low that interfund loans are not paid back within the fiscal year. While the current seven year projection does not anticipate such an occurrence, it is something that must be monitored.

Measurement #6 – Potential Natural Disasters or Emergencies

Atascadero is subject to potential natural disasters including earthquakes, floods, fires, major auto and train accidents, and hazardous materials spills. The 2003 San Simeon Earthquake and 2017 storms are proof of that. City staff are well trained in responding to emergencies and meeting the needs of the community. Any natural disaster or emergency will undoubtedly cause unbudgeted expenditures, fortunately however, in the event of a declared disaster, agencies such as FEMA and CalOES provide assistance to help the City recover. The funding received from these agencies are reimbursement funds; in other words, the City spends the funds and then requests reimbursement. In the event of a disaster or emergency, the number one priority of the City must be to respond to the emergency. When looked at as a whole, the City has ample cash on hand to respond to an emergency until assistance funds could be received. It may mean once the emergency is over and the accounting done, that the General Fund cash was negative and it had to borrow from other funds, but the Council's higher priority to ensure the safety of its citizens was attained.

The City is fully insured against property damage and liability claims. Additionally, Atascadero is very aggressive in applying for all applicable grants, when available, particularly to pay for the cost of responding to emergency situations.

Measurement #7 – Asset Replacement Requirements

The City of Atascadero owns large amounts of assets that have lives longer than a year such as buildings, infrastructure, technology, and vehicles. Council began back in the late 1990's putting money into the reserves for many of these items so they could be replaced as needed. While not all of these assets reserves are fully funded, many of those that most directly affect community service levels have been funded. Asset replacement reserves have been evaluated in Section 4 of this report. See Section 4 for more detail on this subject.

Measurement #8 – Service Level Consistency

Another issue to consider is how important it is to the organization and constituents that services levels are consistently maintained. Looking back two decades, this was a key concern. A less fiscally conservative policy was in effect during that time, and when the economy became sluggish, reserves were insufficient to carry the City through the tight times. Services were cut. Many families had to seek alternate sources for youth recreational activities. Parks and Public Safety services were at a bare minimum. Employees were laid off. The few employees that remained to run the City were overworked and frustrated. Morale was at an all-time low. Recruitment during the recovery period was difficult at best.

Fortunately, as the Council put the fiscal sustainability policy in place, things began to turn around. This strategy of putting aside reserves in good times and then using those reserves during down periods to achieve stable operations has allowed the City to maintain fairly consistent operations. Instead of burdening the ongoing operations budget with significant new purchases and programs when times were good, the Council kept level heads and tucked away some extra funds. As the economy started to turn south, instead of cutting programs and staff to uncomfortable levels, Council was again able to maintain services to the public by utilizing some of the reserves that were saved up. The ability to maintain level and consistent services is important to consider when evaluating reserve levels.

Maintaining a service level consistency is even more of a delicate balance when there is growth in the economy. The wants of the citizens, employees and other constituents are immediate. During the long downturn, people understood why services may have been somewhat minimized. Now that the economy is expanding, it is a natural reaction to want service levels to improve. The economy is better; therefore the City is receiving more revenue, so services should be better. However, the cornerstone of the fiscal policy is to set aside money in good times for use in bad times so that service levels remain constant. This means that in the bad times, while the City did cut back in some small areas, in most areas, the service levels remained constant. The City was providing services at a level higher than revenues could afford. Consistent with the Council's Fiscal Strategy, the City was using, and continues to use, reserves to maintain service levels. In order for this strategy to work, the City has to continue to maintain service levels during the upturn. While the next few years will bring higher revenues, it will be some time before revenues are equal to the costs of the service levels that the City provides. The reserve policy will be even more difficult to adhere to as public pressure mounts to increase service levels, however the current service levels are the levels that the City can afford in the long run. New or improved service levels or programs can only be added with a fundamental shift or a change in funding for the City.

Measurement #9 – Available Opportunities

In the good years, previous Councils have wanted the flexibility to take advantage of opportunities as they arose, and used reserves at times as a tool to achieve such goals. Beginning with the economic downturn, the focus was directed not at new programs or services, but ways to improve and streamline existing programs and services to better serve the public and attract businesses and visitors. Available reserves can be used for these opportunities. Alternatively, if it makes fiscal sense, financing can be another option to achieve identified goals or pursue opportunities.

Measurement #10 – Needs of Future Commitments

It is important to consider the City's future commitments when discussing reserves. The City has made financial obligations that will affect future budget cycles. One example is Cal PERS and the City's Unfunded Accrued Liability (UAL). Cal PERS board decisions affect the cities without much recourse. The most recent Cal PERS board decision to reduce the discount rate to 7% over three years has had pronounced financial implications for all cities. The City continues its commitment to public safety through additional expenditures in Police Department recruiting. In fiscal year 2016-2017, the City appropriated \$1 million to the Building Maintenance and Replacement Fund for future costs. All of these commitments are valuable to the community and it is the City's responsibility to ensure that there are sufficient resources to fulfill these obligations. See Section 4 for more detail on this subject.

Measurement #11 – Interest Income Earned on Reserves

The City's reserve policy is in place to provide guidelines for the prudent investment of the City's temporary idle cash. Investing the City's temporary idle cash to earn interest income will enhance the economic status of the City. Reserves provide an opportunity to further increase investment income for the City that will fund important services to residents.

Looking at the Big Picture

Eleven criteria have been analyzed in order to ascertain what constitutes a prudent reserve for the City of Atascadero. While each of these is an important measurement, they should not be looked at individually but instead as a whole. They must also be considered within the framework of the financial picture for the entire organization rather than just the General Fund.

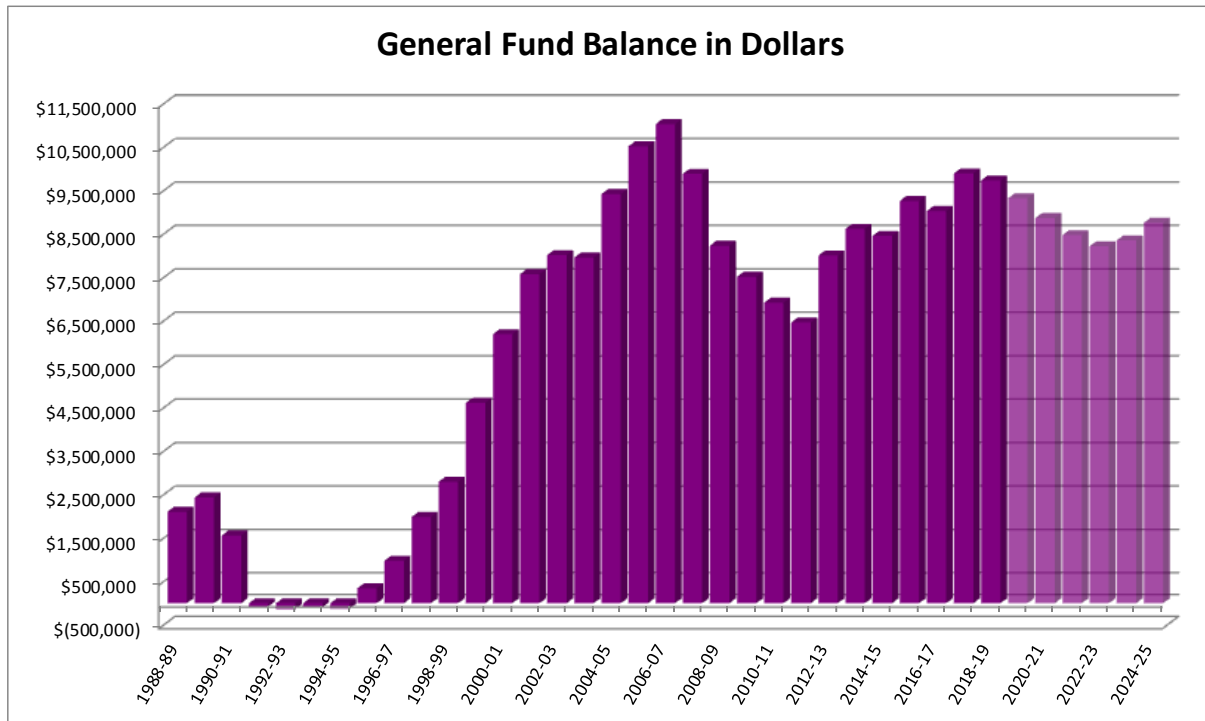
If each reserve was to be considered individually, it might be recommended that the City reserve 10% of sales tax in case a major sales tax provider closes its doors, plus three months' worth of expenditures for natural disasters, plus \$4 million for annual cash flow needs, plus \$2 million on hand just in case an opportunity comes up, etc. Each item

listed is an individual event, and, in theory, could all happen at the same time, but the risk of that happening is minimal. It would be irresponsible to our constituents to keep the cumulative amount of what would otherwise be prudent individual reserves. These are funds that could be used to fund City services. Instead, as looked at above, it is sensible to analyze each potential use of reserves and determine what risk and use level is acceptable to the City and what other options are available.

As of June 30, 2018 the City's General Fund had a reserve balance (excluding Sales Tax Measure F-14 funds) of \$9.9 million. This represents a healthy 47% of General Fund expenditures. While this is not quite equal to the all-time high level of \$11 million reached in 2006-2007, the reserve levels are very consistent with the financial strategy set by the City Council.

In accordance with the City's financial strategy, the City should have its highest level of reserves just prior to an economic slowing. Fiscal year 2006-2007 was the last strong year for the City and it was the year the City had the largest reserves. In 2007-2008 the bottom dropped out of the economy and the City began using reserves. By 2008-2009, the City was using reserves and began to realize that this was no ordinary recession, so Council made the tough decision to reduce some service levels. Staff has continued to monitor reserves levels, allowing the City to remain financially healthy during the downturn and as the economy continues to grow. Staff recommends that City continue to use reserves to maintain existing service levels, and then monitor and continue to make adjustments through the budget and strategic planning process. Staff recommends that if there is a substantial change that it would be addressed immediately and adjustment made accordingly.

The General Fund reserve balance in dollars is depicted in the following graph:



The financial policy has worked for the City in the past, and if we stick to it, it appears that it will work through this next financial planning horizon. Current projections show that using assumptions and strategies in place, reserves will fall to a low of \$8.2 million. During this outlook period, reserves as a percentage of General Fund expenditures do not dip below 34%. This is well above 20% Reserve Policy that the Council adopted in 2010. It is important that as we continue to recover from the Great Recession that the organization is intact and ready to take advantage of opportunities. The general financial plan laid out in the Seven Year Projection ensures that we are not borrowing against our future and that there are sufficient reserves on hand to address the needs of the City throughout this downturn and recovery.

Conclusion

It is important that the City maintain an appropriate level of reserves. The fiscal strategy has been an effective tool to keep the City in a respectable financial position. Historically, Council has agreed that reserves should not drop below 20% of General Fund expenses. Through careful planning and many years of belt tightening through the worst of it, this continues to be an achievable goal. While it will continue to be a slow and steady climb toward increased revenues, overall the City is in a respectable position. Staff will continue to monitor actual figures as they come in and compare them to the projected numbers. With consistent monitoring, the Council has been, and will continue to be, alert and effective leaders guiding the City toward future abundance.

Atascadero

Comprehensive Financial Strategy January 2019

Section 6- Policies

Review of Fiscal Policies

The budget document allocates City resources such as personnel, materials, and equipment in tangible ways to achieve the general goals of the community. It is prudent, therefore, for the City to have in place fiscal policies and practices to guide the City Manager and City Council through the budget decision-making process. These policies and practices are:

Operational Efficiencies:

- ◆ Implement and practice ongoing operational efficiencies to the extent reasonable;
- ◆ Enter into joint operating arrangements with other organizations so as to provide services more cost effectively;
- ◆ Continue the use of valuable volunteers.

Staffing:

- ◆ Continue to have the Department Head team evaluate key personnel needs of the City. A supplemental request is submitted by each Department Head for staffing needs within the department, and these are evaluated, discussed and prioritized. Tough decisions are made as part of the budget process based on Council priorities, safety concerns, and work volume changes;
- ◆ Utilize private contractors when the same or higher level of service can be obtained at lower total cost;
- ◆ Utilize consultants and temporary help instead of hiring staff for special projects or peak workload periods.
- ◆ Attract and retain competent employees by providing a professional work environment, competitive salaries, safe working conditions, and adequate training opportunities;
- ◆ Base salary increases on individual merit and job performance levels;
- ◆ Strive toward maintaining above competitive compensation packages in order to recruit and maintain the best and the brightest;
- ◆ Work toward adequate staffing for the service levels being provided;
- ◆ Be aware of and plan for state, federal and OSHA mandates which might have an effect on staffing levels;
- ◆ Be aware of, monitor and avoid the “hidden” costs of employee turnover, burnout, and stress due to overwork;
- ◆ Look for staff-level streamline opportunities and reductions in areas where there will be minimal impacts to citizens, thus “freeing” employee time.

Education and Communication:

- ◆ Dissemination of important financial information to staff through City Manager roundtables, meetings, emails, and other means of communication;
- ◆ Encourage employee ideas for efficiency, reduction in costs, or increases in revenues;
- ◆ Provide Council and public with information regarding the City's financial outlook through both the audit and budget process, and continue to update with any changes that occur.

Economic Development:

- ◆ Provide a climate that encourages healthy commercial areas that capture more of the purchasing power of the community and creates more destination commercial activities to capture regional money;
- ◆ Aggressively pursue new developments and businesses which are consistent with the community's quality of life and add to the City's economic base, particularly those that generate sales tax revenue;
- ◆ Promote a mix of businesses that contributes to a balanced community;
- ◆ Continue to improve programs to enhance and retain existing businesses;
- ◆ Continue the promotion and tourism programs as a key component of the economic development strategy.

Community Development:

- ◆ Ensure that adequate funding is in place to provide essential services to new residents without diluting services for existing residents by:
 - Supporting the Community Facilities District to fund the addition of the necessary police, fire and parks personnel needed to provide services to these new residents;
 - Continuing to the fullest extent possible to annex projects into the Community Facilities District. (The general plan requires that only developments with 100 or more units be fiscally neutral);
 - Discontinue the use of Assessment Districts in lieu of Homeowner's Associations or other similar mechanisms required of new development to provide ongoing revenue source for the maintenance of development-related infrastructure. These Homeowner's Associations or other mechanisms would be privately managed to avoid City staff time otherwise required of mechanisms such as Assessment Districts.
- ◆ Require that new growth pay for the expansion of facilities and infrastructure necessary to serve the expanding population;
- ◆ Plan community growth with service and maintenance funding requirements in mind.

Infrastructure:

- ◆ Fully fund technology replacement funds;
- ◆ Work toward fully funding vehicles, equipment, buildings, and other infrastructure;
- ◆ Continue to determine and implement strategies to reduce the current backlog of deferred maintenance projects;
- ◆ Provide sufficient routine maintenance each year to avoid increasing the deferred maintenance backlog;
- ◆ Determine a maintenance plan and funding strategy prior to the construction, improvement or acceptance of new infrastructure.

New Services:

- ◆ New or expanded programs should only be implemented when a new funding source has been developed or when an equal or greater cost program has been eliminated;
- ◆ Require agreements for specific services and monitor effectiveness on an ongoing basis.

Construction of New Facilities:

- ◆ Plan for new facilities only if construction and maintenance costs will not negatively impact the operating budget.

Cash Investment:

- ◆ Follow adopted Investment Policy guidelines for the prudent investment of City funds not required for the immediate needs of the City;
- ◆ Maximize the efficiency of the City's cash management system;
- ◆ Enhance the economic status of the City while protecting its pooled cash.

Fiscal Management:

- ◆ Maintain appropriate reserve levels;
- ◆ Consider the long-term and the short-term when making financial decisions;
- ◆ Continuously monitor operations and make adjustments as necessary;
- ◆ Take full advantage of opportunities to receive reimbursement funding at maximum rates possible;
- ◆ Generate additional revenue by marketing City services to other agencies on a contract basis;
- ◆ Maximize revenues by utilizing grants from other agencies to the fullest extent possible;

- ◆ Charge fees for services that reflect the true cost of providing such services and to review fee schedules on a regular basis;
- ◆ Fully account for the cost of enterprise operations to avoid any subsidy by the General Fund and to charge all enterprise funds their fair share of the cost of City support services;
- ◆ Maintain accurate accounting records to keep the City Manager, City Council and public informed of the financial condition of the City at all times;
- ◆ Think outside of the box to achieve revenue opportunities that wouldn't otherwise exist;
- ◆ Consider partnerships and taxing opportunities when appropriate.

Conclusion

The policies and practices listed in this section have been practical guides toward a consistently healthy fiscal condition. The importance of these and a well-defined financial strategy to anticipate and conquer difficult issues cannot be understated. The responsibility to maintain a strong organization is shared community wide, but as the City Council and City employees, we agree to be the leaders in this effort. Council has shown integrity in the decisions made to maintain the conservative fiscal strategy. When resources are tight and needs are plenty, it is difficult to commit to saving some of those precious resources for the future. Those reserves are most appreciated now as the City continues to recover and expand revenues. Certainly, the fiscal strategy is working. The recovery is slow and steady. Decisions will continue to be difficult, especially as public pressure continues to build to increase one-time and on-going spending. The fiscal strategy has provided the option to keep operations and service level stable and continues to provide the City with a sustainable future.

ATTACHMENTS:

Attachment A- The State Legislative Analyst's Office's (LAO's) California Fiscal Outlook November 2018,

Attachment B- HDL's City of Atascadero Sales Tax Update Q2 2018

Attachment C- HDL's California Forecast: Sales Tax Trends and Economic Drivers, September 2018

Atascadero

Comprehensive Financial Strategy January 2019

Attachments



The 2019-20 Budget: **California's Fiscal Outlook**

MAC TAYLOR
LEGISLATIVE ANALYST
NOVEMBER 14, 2018

LAO 

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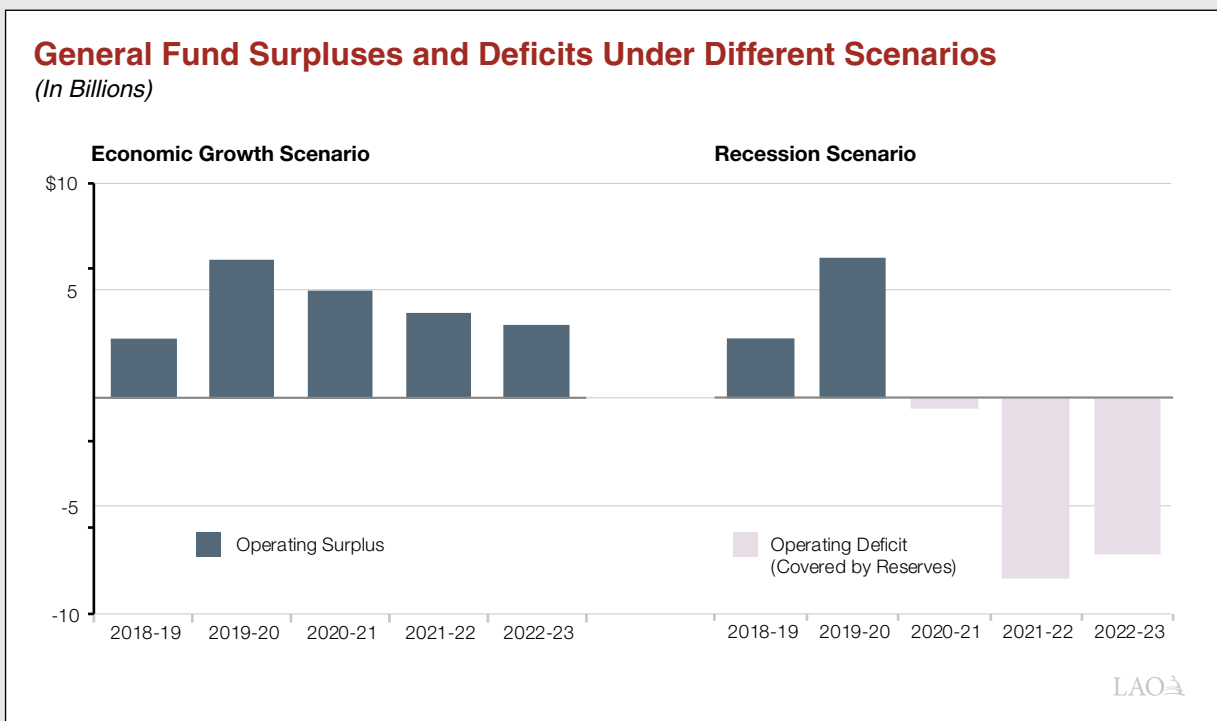
^a General Fund Condition analyst, Fiscal Outlook coordinator.

Executive Summary

The Budget Is in Remarkably Good Shape. It is difficult to overstate how good the budget's condition is today. Under our estimates of revenues and spending, the state's constitutional reserve would reach \$14.5 billion by the end of 2019-20. In addition, we project the Legislature will have an additional \$14.8 billion in resources available to allocate in the 2019-20 budget process. The Legislature can use these funds to build more budget reserves or make new one-time and/or ongoing budget commitments. By historical standards, this surplus is extraordinary.

Longer-Term Outlook Is Positive. The nearby figure displays our longer-term General Fund outlook under two different scenarios and assuming current law and policies stay the same. The first scenario shows continuing economic growth and the second shows a recession beginning in 2020-21. If the economy continues to grow, as shown on the left side of the figure, the state has operating surpluses averaging around \$4.5 billion per year, but declining over time. In the recession scenario, as shown on the right side, the state has enough reserves to cover its deficits over the outlook period.

With More Commitments, Reserves Might Not Fully Cover the Budget Problem. Both of these scenarios assume the Legislature makes no new commitments (such as spending increases or tax reductions) in 2019-20 or later. That is, under these scenarios, the Legislature would use *all* of the nearly \$15 billion in available resources in 2019-20 to build more reserves



(reaching a total reserve level of about \$30 billion by the end of 2019-20). If the Legislature makes new ongoing commitments in 2019-20, however, reserve levels under a recession scenario would be lower and the state would face higher operating deficits. Depending on the extent of these commitments, reserves might not fully cover a budget problem that emerges during a recession.

More Reserves Would Be Needed to Mitigate Reductions to School Funding. In our *Fiscal Outlook* publications, we assume the state funds schools and community colleges at their minimum level. More explicitly, this means under our assumptions that General Fund spending on K-14 education declines even as the state maintains other programmatic spending using reserves. This assumption is in keeping with the publication's aim to show spending under current law and policy, which generally has been to fund schools and community colleges at the minimum required level. If instead the Legislature wanted to mitigate the impact on schools and spend above the minimum level, the state's operating deficits would be larger and more reserves would be needed to cover the budget problem.

The State's Budget Condition Can Change Quickly. Our office has produced a *Fiscal Outlook* every year since 1995. In dollar terms, the available surplus for 2019-20 is easily the largest our office has ever estimated. As a percent of overall revenues, it is second only to the estimated \$10.3 billion surplus in 2001-02, which we projected in November 2000. However, as the state experienced in 2001, these fortunes can change quickly. In the dot-com bust and ensuing recession, state revenues declined precipitously. The very next year, our *Fiscal Outlook* found the state's surplus had disappeared, and instead, the budget faced a deficit of \$12.4 billion.

Legislature Has Unique Opportunity to Prepare for Coming Challenges. In the coming years, the budget will face challenges. The most significant risk to our outlook is the economy, which could slow and result in billions of dollars in revenue losses annually. Decisions outside of the Legislature's control, for example by the federal government or state retirement systems, also can affect the state budget. The \$15 billion surplus we anticipate for 2019-20 gives the Legislature a unique opportunity to prepare for these foreseen—and other unforeseen—challenges still to come.

Chapter 1

INTRODUCTION

Each year, our office publishes the *Fiscal Outlook* in anticipation of the upcoming state budget. The goal of this report is to help the Legislature begin developing the 2019-20 budget. Chapter 1 of this report provides our assessment of the budget in the near term. In this chapter, we outline the economic trends and assumptions that underpin our revenue and expenditure projections for the upcoming year. Chapter 2 provides our longer-term outlook—through 2022-23—for the state budget. Our outlook for the budget relies on two different scenarios: an economic growth scenario and a recession scenario. In Chapter 2, we also discuss

demographic trends that affect California's out-year budget situation.

Two Important Notes About Report. First, our outlook assesses the state's General Fund condition under *current law and policies*. We do not attempt to *predict* how the state or federal governments will change their policies. Second, our outlook depends on a set of economic assumptions that are subject to uncertainty, particularly in the longer run. When economic conditions turn out to be different (either better or worse) than what we have displayed here, the budget's actual revenues and expenditures also will be different.

ECONOMY

Our economic outlook is based on the average of a collection of forecasts of the U.S. economy from various institutions and professional economists, as compiled by Moody's Analytics in September (with an adjustment to the S&P 500 in October). This consensus forecast expects continued growth of the U.S. economy, albeit with some slowing in the pace in the coming years. Based on these expectations, we project continued growth of the California economy. This growth, however, will be tempered by slower job growth and modest weakness in housing. **Figure 1** (see next page) displays key assumptions of our economic outlook.

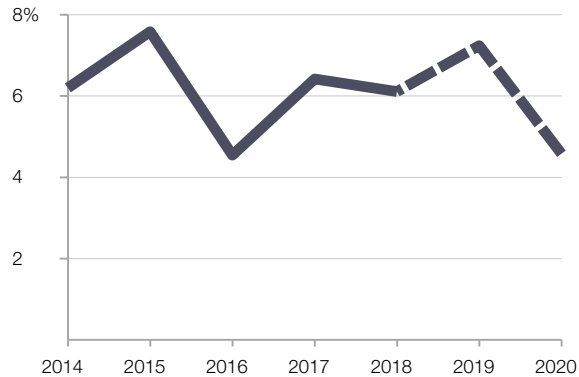
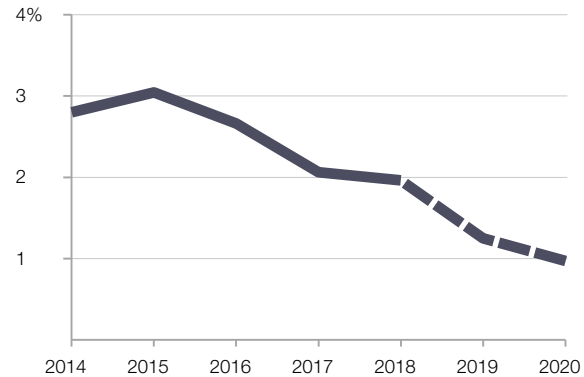
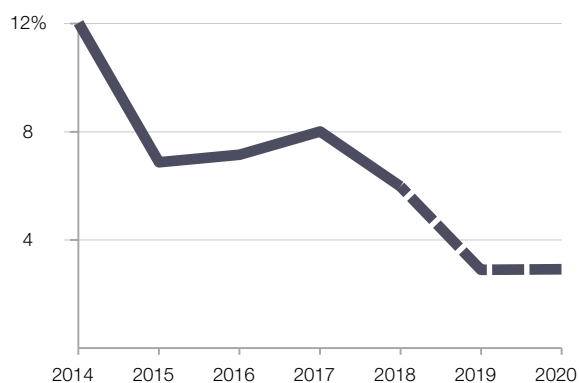
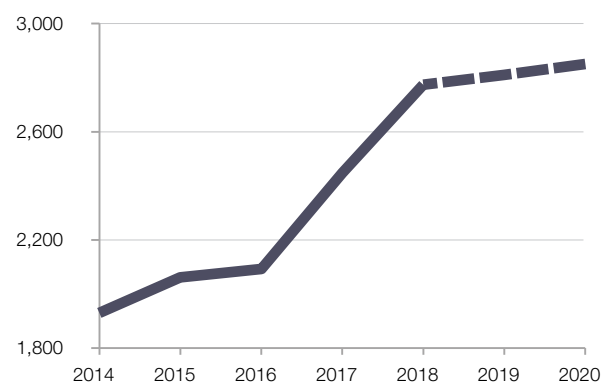
Steady Wage and Salary Growth. We anticipate total wages and salaries to continue growing at the same above-average rate as recent years. This strong wage and salary growth is due, in large part, to record low unemployment. With a limited number of people looking for jobs,

competition among employers for workers is high. This competition typically forces employers to pay higher wages to attract new workers.

Slower Job Growth. The pace of job growth in California has slowed consistently each year since 2015. We anticipate that this trend will continue through 2020. This is consistent with an expected slowing of national job growth and a limited number of unemployed Californians looking for jobs.

Housing Weakening. The rate of home price growth has slowed consistently throughout 2018. Year-over-year growth dropped from 8.5 percent in February to 6.5 percent in September. We anticipate that this trend of slower growth will continue. Our expectation of a slowdown in home price growth reflects the rising supply of homes for sale, tighter mortgage lending, and higher interest rates.

Stock Market Levels Off. After growing rapidly between 2014 and 2017, the stock market has been up and down throughout 2018. The consensus

Figure 1**Projections of Key Economic Variables****Wages and Salaries***Annual Growth***Payroll Jobs***Annual Growth***Home Prices***Annual Growth***S&P 500 Index**

LAO

expectation is that stock prices will grow much more slowly moving forward. Earnings of major companies do not appear to support additional rapid growth in stock prices in the near term.

Trade Disputes Create Uncertainties. Over the past year, the U.S. and China have entered a trade dispute in which each country has imposed a series of tariffs (taxes on imported goods) on products commonly traded between them, as well

as made threats of additional tariffs. As of now, it is unclear what the ultimate outcome of these threats will be. Should tariffs cover a broad portion of traded goods, businesses that sell many of their goods to China would be impacted. Consumers and businesses also could face higher prices for imported goods. These impacts could, in turn, have negative effects on the stock market and the broader economy.

REVENUES

Revenues from California's three largest taxes—the personal income tax (PIT), sales tax, and

corporation tax—have increased 41 percent since 2012-13. PIT revenues have increased 46 percent

over that same period. Strong PIT growth is due to higher-than-average wage growth over the period, especially for high-income earners, and the growth in the stock market. California wage growth from 2012 to 2017 averaged 4 percent (adjusted for inflation), compared to an average of 2.6 percent from 1993 to 2012. The higher tax rates levied on high-income earners by Propositions 30 and 55 (2012 and 2016) further buoyed state revenue from this earnings growth.

Expect Revenue Growth to Continue in 2019-20. Figure 2 shows our near-term revenue outlook. Consistent with our economic assumptions, General Fund revenues continue to increase in 2019-20—by 5.5 percent. Much of the growth is from the PIT. Continued tightening in the labor market should keep upward pressure on wages and salaries, which make up about two-thirds of taxable income. We expect taxable wages and salaries to

increase by 7 percent in 2018, 7.2 percent in 2019, but slow to 4.4 percent in 2020 due in part to constrained growth at the national level. While we project continued growth in capital gains revenues in 2018-19, we expect these revenues to decline somewhat in 2019-20 due to slow growth in the stock market. (More detail on our revenue estimates is available in Appendix Figure 1.)

Figure 2

LAO Near-Term Revenue Outlook

General Fund (In Millions)

	2017-18	2018-19	2019-20
Personal income tax	\$93,966	\$97,865	\$100,985
Sales and use tax	25,007	25,870	26,819
Corporation tax	12,260	12,728	13,566
Subtotals	(\$131,233)	(\$136,463)	(\$141,369)
Insurance tax	\$2,575	\$2,696	\$2,883
Other revenues	1,711	1,762	1,799
BSA transfer	-4,289	-2,766	-745
Other transfers	-305	-641	-241
Totals, Revenues and Transfers	\$130,925	\$137,514	\$145,065

BSA = Budget Stabilization Account.

EXPENDITURES

This section describes major programmatic spending trends we project for the 2019-20 fiscal year (including recently passed ballot measures). General Fund spending in three major program areas grow, in some cases moderately, from 2018-19 to 2019-20: (1) schools and community colleges, (2) health and human services programs, and (3) employee compensation and state retirement programs. However, these areas of growth largely are offset by reductions in one-time spending from 2018-19. Consequently, we estimate that General Fund spending growth (under current law and policies) from 2018-19 to 2019-20 will be very low. Total spending increases \$2.1 billion year over year, a growth rate of 1.5 percent.

Schools and Community Colleges

Proposition 98 Establishes Funding Requirements for Schools and Community

Colleges. State funding for schools and community colleges is governed largely by Proposition 98, passed by voters in 1988 and modified in 1990. The measure establishes a minimum annual funding requirement, commonly referred to as the minimum guarantee. The state adjusts the minimum guarantee each year based on various factors including General Fund revenue, per capita personal income, and K-12 student attendance. The state meets the minimum guarantee through a combination of state General Fund and local property tax revenue, with increases in property tax revenue generally reducing General Fund costs. The state can provide more funding than Proposition 98 requires, though in practice it typically sets funding close to the guarantee.

General Fund Costs Down \$640 Million in 2018-19. Figure 3 (see next page) shows our estimate of school and community college funding

Figure 3**Estimated Changes in School and Community College Funding***(In Millions)*

	2018-19			2019-20	
	June Budget Plan	November LAO Estimate	Change	November LAO Estimate	Change From LAO 2018-19
Total Funding	\$78,393	\$78,325	-\$68	\$80,765	\$2,440
Fund source:					
General Fund	\$54,870	\$54,230	-\$640	\$55,447	\$1,217
Local property tax	23,523	24,096	572	25,318	1,223

in the current and upcoming year. For 2018-19, total K-14 funding is \$68 million below the level assumed in the June budget plan. This decrease mainly reflects our estimate of lower community college enrollment, which reduces the cost of funding apportionments. Total General Fund spending is down even further, decreasing \$640 million compared with the June estimate. Most of this drop is the result of our higher local property tax estimates. (General Fund spending in 2017-18 also is lower by \$471 million due to higher property tax revenue reported for that year.)

General Fund Costs Increase \$1.2 Billion From 2018-19 to 2019-20. For 2019-20, our outlook assumes the Legislature sets funding equal to the minimum guarantee. Under this assumption, total school and community college funding would grow to \$80.8 billion, an increase of \$2.4 billion (3.1 percent) over the 2018-19 funding level. The increase in the minimum guarantee is mainly attributable to growth in state revenues. Of the \$2.4 billion increase, about half would be covered by higher property tax revenue and half by state General Fund. The year-over-year increase in property tax revenue mainly reflects our estimate of continued growth in assessed property values.

\$2.8 Billion Available for School and Community College Programs in 2019-20. After accounting for growth in the guarantee and backing out various one-time initiatives funded in 2018-19, we estimate the Legislature would have \$2.8 billion available for Proposition 98 programs in 2019-20. The state could use this funding to cover a 3.1 percent statutory cost-of-living-adjustment and provide a few other previously scheduled augmentations. After providing these increases,

about \$480 million would remain for other ongoing or one-time initiatives.

Health and Human Services (HHS)

HHS Spending Increases \$1.6 Billion From 2018-19 to 2019-20. Under our estimates and assumptions, we project HHS spending would increase by \$1.6 billion (4 percent) between 2018-19 and 2019-20, driven by cost increases in three programs (partially offset by reductions in other HHS programs):

- **Medi-Cal (\$1.4 Billion Increase).** Under current law and policy, we estimate that spending on Medi-Cal would increase by \$1.4 billion (6.1 percent) in 2019-20. The growth is largely explained by (1) our assumption that the tax on managed care organizations (MCO) expires in 2019-20, consistent with current law; and (2) continued projected growth in the cost per participant. However, year-over-year growth in the program is offset somewhat by our assumptions that: (1) caseload declines, consistent with recent trends; and (2) state repayments to the federal government for disputed and disallowed claims slow.
- **DDS (Over \$300 Million Increase).** We estimate spending on the Department of Developmental Services (DDS) would increase by over \$300 million (7.4 percent) if current law and policies remain in place in 2019-20. There are two major reasons for this increase: (1) growth in caseload and utilization and (2) the state minimum wage, which is

scheduled to increase to \$13 per hour on January 1, 2020.

- **IHSS (Roughly \$100 Million Increase).** Under our assumptions, spending on the In-Home Supportive Services (IHSS) program would increase by around \$100 million in 2019-20. Similar to DDS, the major drivers of this cost increase are related to growing caseload in the program, increases in the number of hours worked per case, and the state's scheduled increases in the minimum wage. Spending growth in IHSS is offset by our assumption that there would be a 7 percent reduction in service hours when the MCO tax expires in 2019-20. Without this assumption, IHSS spending would grow by roughly \$400 million, an over 10 percent increase, year over year.

Comparing our Estimates of HHS Spending to the Administration. As **Figure 4** shows, the administration projects HHS spending will increase \$3.8 billion in 2019-20, over twice our estimate of the increase. The administration does not display its projections of spending at a department level within the HHS area, so we do not know all of the sources of these differences. Given that Medi-Cal makes up over half of the agency total, it likely is responsible for a sizeable portion of this difference. The box on the next page describes our concerns about the relative lack of detail on these estimates provided by the administration. For 2018-19, we estimate HHS spending will be nearly \$600 million lower than the budget assumed in June. This reduction primarily reflects reduced payments to the federal government for disputed claims based on information the state received since the administration's projections were developed.

Uncertainty in These Estimates. Our expenditure estimates for these HHS programs depend on our assumptions about policy, cost, and caseload changes. There are two key sources of uncertainty in these assumptions. First, there are uncertainties we know about—for example, price and caseload growth could be higher or lower

than we anticipate. Second, there are risks that we cannot anticipate. In recent years the state has experienced a few large, unexpected cost increases in HHS spending, most notably in the Medi-Cal program. These unanticipated cost increases have resulted in our prior projections being too low. We do not have enough information to know whether an unexpected cost increase will occur again in 2019-20 and our estimates do not attempt to quantify this possibility.

Other Spending

Spending in Employee Compensation and Retirement Increase \$2 Billion in 2019-20. We estimate that General Fund salary and benefit costs for current employees across all state departments will increase by about \$800 million from 2018-19 to 2019-20. Based on existing labor agreements, most state employees will receive pay increases in 2019-20 ranging from 2 percent to 5 percent of pay. Salary increases also increase state costs for benefits that are paid for as a percentage of pay (such as pensions, prefunding retiree health benefits, Social Security, and Medicare). A large share of estimated General Fund employee compensation cost increases in 2019-20 are due to provisions of the one-year agreement with correctional officers—including a 5 percent pay increase—ratified earlier this year. Correctional officers and their managers represent about 40 percent of the state's General Fund payroll costs. In addition, we estimate that the state's costs for retirement programs (including pension

Figure 4

Comparing LAO and DOF Estimates of HHS Spending Through 2019-20

(Dollars in Billions)

	2017-18	2018-19	2019-20
DOF Estimate (June 2018)	\$35.5	\$39.3	\$43.1
Year-over-year growth	—	3.8	3.8
Percent growth	—	10.6%	9.7%
LAO Estimate (November 2018)	\$35.5	\$38.7	\$40.3
Year-over-year growth	—	3.2	1.6
Percent growth	—	8.9%	4.0%

HHS = Health and Human Services.

Administration Provides Little Detail in HHS Spending Projections, Creating Challenges and Uncertainty

We are concerned that the Legislature does not have adequate information about the administration's long-term projections for General Fund spending on Health and Human Services (HHS) programs. In other areas of the budget, the Legislature often has better information about the executive branch's assumptions, methods, and baseline multiyear projections. For example, while our office and the administration regularly have different projections of state revenues, we understand the underlying differences in our respective methodologies that lead to these differences. In HHS, the administration does not make its long-term projections for individual programs available for Legislative review. Not having basic information about the administration's program-level out-year estimates and projections makes assessing their reasonableness difficult for the Legislature. It also makes it challenging for us to check our own assumptions. As the Legislature begins the 2019-20 budget process, we recommend asking the administration for more detail on its multiyear spending estimates and assumptions in HHS.

and health benefits for retired state employees and pension benefits for teachers) will be about \$1 billion higher in 2019-20.

Spending Increases Offset by Significant One-Time Spending. Under our assumptions, about \$3.6 billion in spending commitments made in the 2018-19 budget do not carry through to 2019-20. (To assess whether or not an item is one time, we use the explicit appropriation language in the budget package, although this sometimes differs with language on legislative intent.) Under our assumptions, major one-time spending in 2018-19 items include:

- **Infrastructure and Equipment.** The budget package included \$630 million for the State Project Infrastructure Fund, \$305 million for deferred maintenance in a variety of program areas, \$170 million for flood control infrastructure, \$134 million for voting systems, and \$100 million for kindergarten facilities.
- **Other Major Items.** Other major one-time spending included \$500 million for emergency homeless aid block grants, \$200 million for hold harmless provisions associated with ending the SSI/SSP cash out policy, and \$105 million in unrestricted funding for the University of California.

GENERAL FUND CONDITION IN 2019-20

Figure 5 displays our estimate of the General Fund condition through 2019-20. Under current law and policies, we estimate 2018-19 will end with \$9.1 billion in discretionary reserves, an increase of \$7.2 billion over the level assumed at the time the budget was passed in June. There are two major reasons for this increase across 2017-18 and 2018-19: (1) revenues are higher by \$5.3 billion and (2) General Fund spending for schools and community colleges is down by about \$1.1 billion.

2019-20: \$14.8 Billion in Available Resources. Under our estimates of revenues and expenditures, discretionary resources at the end of 2018-19 would grow by \$5.7 billion—to \$14.8 billion in 2019-20. (In this context, “discretionary resources” refers to the estimated end-of-year balance in the Special Fund for Economic Resources under our assumptions.) These surplus resources would be available to increase spending, reduce taxes, or increase reserves. The \$5.7 billion increase in available resources is the net result of two major factors:

- **Total Revenues and Transfers Grow \$7.6 Billion.** Under our office's economic assumptions, revenues grow by \$5.1 billion between 2018-19 and 2019-20. Transfers (which offset revenues) decline year over year, resulting in total growth in revenues and transfers of \$7.6 billion overall.
- **General Fund Spending Grows by \$2.1 Billion.** From 2018-19 to 2019-20, overall General Fund spending grows only \$2.1 billion. As described in the expenditure section, this is the net effect of moderate growth in schools and community colleges, health and human services, and employee compensation and retirement programs, offset by reductions in one-time spending from 2018-19.

Constitutionally Required Reserves, Infrastructure Spending, and Debt Payments.

Proposition 2 (2014) requires the state to set aside money each year for reserve deposits and debt payments. (In recent years, the Legislature has made additional, optional reserve deposits.) When the state's constitutional reserve—the Budget Stabilization Account (BSA)—reaches a threshold of 10 percent of General Fund taxes, formula-driven deposits that would bring the balance above this threshold must be spent on infrastructure. For 2019-20, we estimate the following Proposition 2 requirements:

- **BSA Reserve Reaches \$14.5 Billion.** Under our revenue projections, the state would be required to deposit an additional \$745 million into the rainy day fund in 2019-20. Under these assumptions, the fund would reach \$14.5 billion in 2019-20, 10 percent of General Fund taxes. Consistent with recent state policy, this assumes that previous years' optional deposits into the BSA count toward the 10 percent threshold.

- **Required Infrastructure Spending of \$914 Million.** Under our assumptions, in 2019-20, the Constitution would require \$914 million to be spent on infrastructure. Under current law, \$415 million of this total would be dedicated to fund state capital outlay and \$250 million would be available each for rail infrastructure and affordable housing.
- **Required Debt Payments of \$1.7 Billion.** In addition, under our revenue estimates, the state would be required to pay an additional \$1.7 billion toward eligible debts. In our outlook, we allocated these funds using recent law and policy. For example, we assume \$744 million would be used to repay transportation-related loans, consistent with current law. We also assume \$268 million would be used to continue to implement the state's plan to prefund retiree health benefits using employer and employee contributions. That said, the Legislature has some flexibility in these allocations and, in the 2019-20 budget process, could allocate these funds somewhat differently.

Outlook Assumes Current Law and Policies on Budgetary Formulas. All of the estimates in our outlook assume current state policy regarding Proposition 2. Under alternative interpretations of

Figure 5

LAO Near-Term Budget Condition

General Fund (In Millions)

	2017-18	2018-19	2019-20
Prior-year fund balance	\$5,657	\$10,076	\$10,281
Revenues and transfers	130,925	137,514	145,065
Expenditures	126,505	137,310	139,373
Ending fund balance	\$10,076	\$10,281	\$15,973
Encumbrances	1,165	1,165	1,165
SFEU balance	8,911	9,116	14,808
Reserves^a			
SFEU balance	\$8,911	\$9,116	\$14,808
Safety net reserve	—	200	200
BSA balance	11,002	13,768	14,513
Total Reserves	\$19,914	\$23,084	\$29,521

^a Reflects the year-end balances in each account under current law and policy.
SFEU = Special Fund for Economic Uncertainties and BSA = Budget Stabilization Account.

Proposition 2, past optional deposits would not count toward the BSA threshold, and the amount dedicated to infrastructure in 2019-20 would

instead be deposited into the BSA. The nearby box describes how our outlook treats other statutory and constitutional budget formulas.

Assumptions on Other Budget Formulas

There are three additional constitutional and statutory budget formulas that may affect spending and revenues in 2019-20. With respect to these formulas, we assume:

- **Sales Tax Reductions Are Not Triggered.** California has two statutes that trigger reductions in the state's sales tax rate if balances in discretionary reserves reach a certain threshold. The Department of Finance (DOF) is required to make a determination about whether the conditions are met before November 1st of each year. This year's DOF letter on the sales tax triggers noted that—under the budget act estimates of revenues and reserve balances—the conditions for neither of these triggers were met. Decisions made by the Legislature in the 2019-20 budget process will affect whether the provisions are triggered in November 2019.
- **Additional Spending for Medi-Cal Is Not Provided.** Proposition 55 (2016) extended tax rate increases on high-income earners and created a new budgetary formula that produces increased spending requirements for Medi-Cal under certain conditions. The administration has significant discretion in how to administer these calculations. In 2018-19, the first year of implementation, the administration's approach resulted in no additional funding for Medi-Cal. Decisions made by the Legislature and the administration in the 2019-20 budget process will affect whether or not the formula results in additional funding requirements for Medi-Cal.
- **Constitutional Spending Limit Is Not Reached.** Under the administration's June 2018 estimates, the state had several billion dollars of "room" under its spending limit in 2017-18 and 2018-19. While our estimates of tax revenues are higher than those of the administration during these years, we are unable to produce spending limit estimates because our *Fiscal Outlook* has a General Fund focus whereas the spending limit formulas include special funds.

The state budget's many formulas interact with one another. For example, if decisions made by the administration result in additional spending for Medi-Cal under the provisions of Proposition 55, the likelihood that the state's sales tax reductions were triggered would be reduced.

LAO COMMENTS

The Budget Is in Remarkably Good Shape.

It is difficult to overstate how good the budget's condition is today. For several years, the state has consistently increased reserve levels in each subsequent budget. Economic conditions continue to improve: unemployment is low and wages are growing. Under our estimates of revenues and spending, the Legislature would have \$14.8 billion in resources available to allocate in the 2019-20 budget process. By historical standards, this surplus is extraordinary. Since 1995, our office has produced an outlook of the upcoming year's budget condition every year. In dollar terms, the available surplus for 2019-20 is easily the largest our office has ever estimated. As a percent of overall revenues, it is second only to the estimated \$10.3 billion surplus in 2001-02, which we projected in November 2000.

The State's Budget Condition Can Change

Quickly. While our current projections suggest the state's economic and budgetary situations are very strong, these fortunes can change quickly. In fact, this is precisely what occurred after we published our *Fiscal Outlook* at the end of 2000. As a result of the dot-com bust and ensuing recession in 2001, state revenues declined precipitously. The very next year, looking to budget year 2002-03, our *Fiscal Outlook* found the state's surplus had disappeared, and instead, the budget faced a deficit of \$12.4 billion for the upcoming year. In light of these budgetary uncertainties, in the next section, we consider how the budget's multiyear outlook would fare under varying economic conditions.

Chapter 2

In this chapter, we discuss the condition of the budget over the longer term, through 2022-23. First, we present our estimates of revenues, spending, and the condition of the General Fund under two different economic scenarios. (The

economy is the key source of uncertainty in our budgetary projections.) Second, we discuss the fiscal implications of statewide demographic trends that affect the budget now and into the future.

BUDGET CONDITION UNDER TWO ECONOMIC SCENARIOS

Economy

Economic Assumptions in This Chapter. Our spending and revenue projections in this chapter are based on two different sets of economic conditions:

- **Growth Scenario.** In this scenario, we assume the economy continues to grow. Job growth slows as the economy reaches full employment. Wage growth overall also slows, but remains strong in some industries, such as professional and technical services (for example, lawyers, engineers, and computer programmers) and in the technology sector (for example, software development and data processing). We also assume a relatively flat stock market.
- **Recession Scenario.** In this scenario, we assume a recession begins in the third quarter of calendar year 2020, based on Moody's Analytics "moderate" recession scenario. (This scenario is not based on a recent historical example, but rather a model of one possible recession scenario that Moody's believes could materialize in the coming years.) Under this scenario, GDP drops by 2.25 percent over four quarters, starting at the beginning of 2020-21. This scenario also assumes the S&P 500 declines by one-third over the course of the recession. This recession scenario is relatively short-lived—the economy begins to recover at the start of 2021-22.

Revenues

Revenue Situation Assuming Continued Economic Growth. Under our growth scenario, General Fund revenues and transfers grow from \$137.5 billion in 2018-19 to \$159.3 billion in 2022-23. This represents a moderate 3.8 percent average annual growth rate over the period. We attribute this to moderate growth in personal income tax (PIT) revenues, which grow just less than 3 percent over the period (which is relatively weak by recent standards). This reflects our assumptions of: (1) slowing growth in wages and salaries and (2) a relatively flat stock market. Growth in the corporate tax is much stronger at 5.5 percent over the period. We attribute this to the consensus expectation that corporate profits continue to grow steadily. (The Appendix contains more information on our revenue outlook under both scenarios.)

Revenues in the Recession Scenario. Under the recession scenario, revenues would decline year over year by close to \$5 billion in both 2020-21 and 2021-22, respectively. (Compared to the economic growth scenario, the total revenue loss would be roughly \$46 billion over the outlook period.) Much of these reductions would be driven by declines in the PIT. Under our assumption that the economy starts to recover at the start of 2021-22, revenues grow again in 2022-23.

Scenarios Represent Two of Many Possible Outcomes. The scenarios presented in this chapter are two of many possible economic outcomes that could occur over the next five years. Our uncertainty about the economy's condition—and therefore revenue performance—increases throughout the period. Through 2018-19, revenues could be a few billion dollars higher or lower than our estimates. In 2019-20, revenues could be several billions of dollars different. In the out-years of our projections, revenues could be tens of billions of dollars lower than our recession scenario and several billions of dollars above our growth scenario.

Spending in Economic Growth Scenario

This section describes trends in General Fund spending assuming the economy continues to grow. As noted earlier, we assume current law and policies stay in place.

Overall General Fund Spending Grows \$19 Billion (3.3 Percent Annually) Over the Outlook Period. Assuming current law and policies stayed in place, we project General Fund spending would increase \$19 billion over the period (averaging 3.3 percent per year), as **Figure 6** shows. Together, schools and community colleges and Medi-Cal account for 60 percent of this growth. (These programs also account for well over half of the budget.)

Schools and Community Colleges Grow an Average of 2.9 Percent. The constitutional minimum level of funding for schools and community colleges is determined by a set of formulas (under the rules of Proposition 98). In our growth scenario, General Fund spending on schools and community colleges grows by an average of 2.9 percent over the period. This growth rate is relatively low, reflecting slightly negative changes in attendance

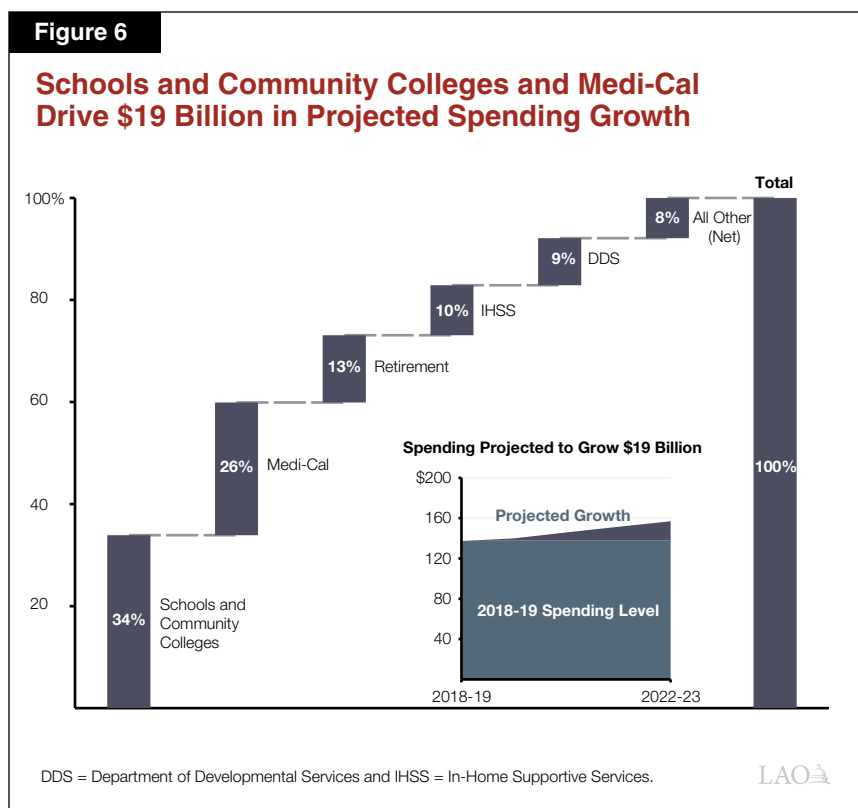
and modest growth in revenues over the forecast period. (Overall, school and community college funding—including local property tax revenue—grows at about 3.4 percent per year.)

Medi-Cal Grows an Average of 5.1 Percent.

Medi-Cal, the state's Medicaid program, accounts for 26 percent of overall growth in our outlook. In our growth scenario, spending on Medi-Cal increases by an average of 5.1 percent annually. Similar to other health and human services programs, Medi-Cal recently has been growing faster than much of the rest of the budget. This largely has been due to (1) rising caseload and costs per beneficiary, (2) scheduled reductions in federal funding (as the federal share of costs for Medi-Cal's optional expansion population has declined), and (3) various technical adjustments. The growth we project in Medi-Cal through 2022-23 is somewhat lower than recent experience, however. There are three main reasons for this:

- **Limited Growth in Caseload Expected.**

Recently, Medi-Cal caseload has begun to slowly decline as the economy has continued to grow. Over the outlook period, we assume



caseload in the program continues a very slow decline initially and is essentially flat in later years, which dampens cost growth.

- **Changes in Federal Funding.** In recent years, the state share of costs has been increasing for Medi-Cal's optional expansion as a result of scheduled reductions in federal matching funds. Similarly, in the next couple of years, the state's share of costs for the Children's Health Insurance Program also will increase as the federal share declines. These increasing state shares have resulted in higher-than-otherwise General Fund growth rates in these programs. These state costs, however, will stop increasing in 2021-22 when the federal shares reach their scheduled minimums. As a result, the year-to-year growth rates will subside.
- **Lessening Effects of Technical Adjustments.** Finally, our outlook assumes that increased spending related to many of the technical adjustments in recent years are one time or will be reduced in the future. (Technical adjustments include the required repayment of federal funds.) These assumptions result in lower year-over-year growth in General Fund spending relative to recent years.

Three Other Programs Account for Most of Remaining Growth. Three other—smaller—programs account for most of the remaining growth over our outlook period. These are:

- **Retirement Programs.** Over the period, the state's retirement programs—including pension benefits for retired state employees (CalPERS); pension benefits for teachers (CalSTRS); and other post-employment benefits, namely health benefits for retirees—account for 13 percent of the total increase in underlying spending. In CalPERS and CalSTRS, these increases largely reflect the boards' changes in assumptions regarding investment returns and other demographic changes. For retiree health, these increases reflect rising health premiums and the fact that state retirees are living longer in retirement.
- **In-Home Supportive Services (IHSS).** The IHSS program accounts for about 3 percent

of General Fund costs today, but over the outlook period is responsible for 10 percent of total growth. We can attribute this growth to three major factors: growing caseload in the program; increases in the number of hours per case; and the state minimum wage, which is scheduled to continue increasing over the outlook period.

- **Department of Developmental Services (DDS).** DDS also is responsible for about 3 percent of General Fund spending today, but 9 percent of overall spending growth over the outlook period. Similar to IHSS, the major reasons for these cost increases are growth in caseload, use of services, and the state minimum wage.

Required Spending on Debt and Infrastructure. Under the rules of Proposition 2 (2014), the Constitution requires the state to: (1) spend minimum amounts on repaying certain debts, (2) deposit money into reserves, and (3) spend more on infrastructure when reserves reach a certain threshold. These amounts are determined by a series of formulas. Assuming the economy grows and current law and policies stay in place, state reserves will have reached their maximum level in 2019-20 under our revenue assumptions. In 2019-20 and the years that follow, the state would be required to spend roughly \$800 million per year on infrastructure. In addition, from 2019-20 to 2022-23, the state would be required to spend an average of \$1.3 billion per year to pay down certain eligible debts. (In our outlook, we assume an allocation of these funds using recent law and policy.)

Spending in Recession Scenario

This section describes our assumptions and estimates on spending in a variety of program areas across the budget in a recession.

Lower Spending on Schools and Community Colleges. The formulas determining school and community college funding tend to result in lower spending when revenues and personal income are declining and higher spending when the opposite is true. In our recession scenario, in which revenues and personal income both decline, the minimum

funding level for K-14 education also declines. We assume the Legislature funds schools and community colleges at this lower level (as has occurred in past recessions). This means that, in our recession scenario, General Fund spending on K-14 education declines from a high of \$55.6 billion in 2019-20 to a low of \$51.2 billion in 2021-22. (See the Appendix for more detail on these spending estimates.)

Lower Spending on Debt and Infrastructure.

In the recession scenario, we assume the state suspends required deposits into reserves and stops making infrastructure payments (under the Constitution's budget emergency rules). Even in a budget emergency, however, the state must continue to make required debt payments. As a result, relative to the growth scenario, state spending on infrastructure would be lower by roughly \$800 million per year, but the state would continue to make debt payments (although, under the formulas, these required amounts would be a few hundred million dollars lower).

Higher Spending on Some Caseload-Driven Programs. For some programs, caseload increases when the state enters a recession (usually because unemployment increases or wages decline). As a result, absent policy changes, the state faces higher costs for these programs. Three programs in particular experience quantifiable cost increases as a result of changes in the economy. They are: Medi-Cal; CalWORKs, which provides cash assistance and services to low-income individuals; and child care. Across these three programs, relative to the growth scenario, we estimate the state would face higher costs of roughly \$1 billion in 2021-22 in the recession scenario (and somewhat lower cost increases in other years).

All Other Program Costs Assumed the Same in Recession Scenarios. Relative to the growth scenario, we keep all other programs' spending levels the same in the recession scenario. We understand that, in a real recession, the Legislature would change spending in these programs—particularly those over which the Legislature has more control. The aim of this publication, however, is to show how the budget would fare assuming current policies stayed in place. To be clear, this means we:

- ***Assume Cost-of-Living Increases Remain in Place.*** Consistent with recent practice, we have assumed a variety of programs receive cost-of-living adjustments across the period. This includes: increases in employee compensation (which we adjust for inflation after current bargaining agreements expire), base funding increases for universities, and discretionary increases for the judicial branch. We do not change these assumptions in the recession scenario.
- ***Assume Minimum Wage Goes into Effect as Scheduled.*** A law passed in 2016 (Chapter 4 of 2016 [SB 3, Leno]) increases California's statewide minimum wage over a period of several years. Under the current schedule, the minimum wage for most employees is scheduled to increase to \$12 per hour on January 1, 2019, to \$13 in January 2020, and to \$14 in January 2021. For the purposes of our recession scenario, we assume these minimum wage increases go into effect as scheduled. (In the event of a recession, the Governor has some discretion to pause these increases. For example, if the Governor paused the increase scheduled to occur at the beginning of 2021—so that the minimum wage remained at \$13 per hour in 2021—it would save the state, on net, roughly \$100 million to \$200 million in 2020-21.)

General Fund Condition

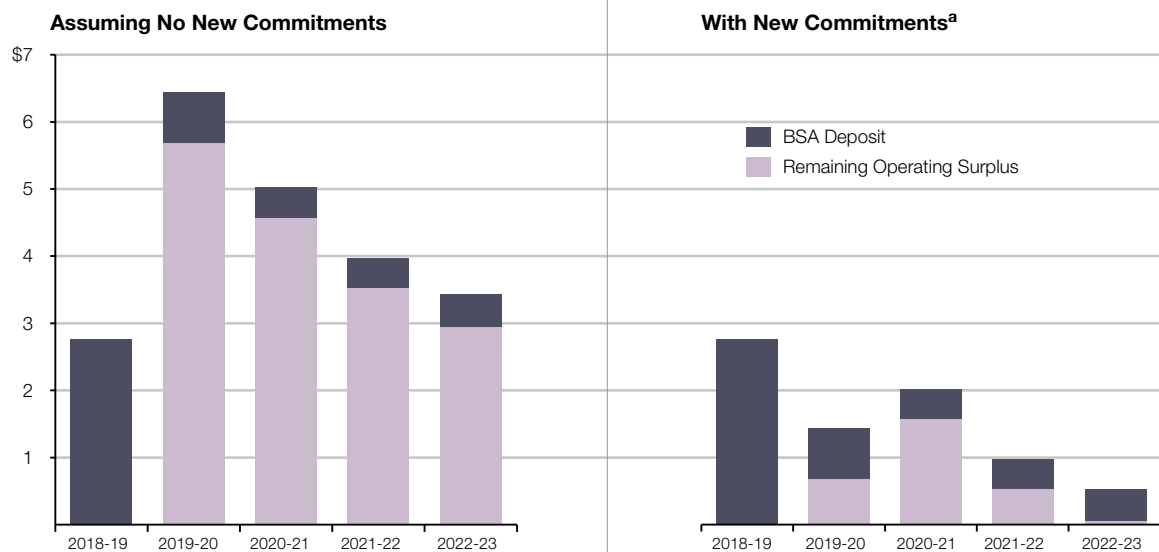
In this section we show the budget's bottom line condition under the two economic scenarios.

General Fund Surpluses Under Growth Scenario. Figure 7 displays our estimates over the outlook period of General Fund operating surpluses (the difference between incoming revenues and estimated spending). If current law and policies were unchanged (left side of the chart), these surpluses would average around \$4.5 billion per year, declining over time. Figure 7 also shows that—pursuant to the rules of Proposition 2 and under current policy—the state would continue to make deposits into the state's Budget Stabilization Account each year.

Figure 7

General Fund Surpluses Under Economic Growth Scenario

(In Billions)



^a Assumes Legislature makes an additional \$2 billion in one-time and \$3 billion in ongoing spending increases or tax reductions in 2019-20.

BSA = Budget Stabilization Account.

LAO

General Fund Operating Surpluses Decline With New Commitments. While our outlook assumes they remain the same, we know that the state's law and policies will change over this period. To that end, for illustrative purposes, the right side of Figure 7 displays the state's operating surpluses if additional commitments were made in 2019-20. In particular, the figure assumes that the Legislature made an additional \$2 billion in one-time and \$3 billion in ongoing commitments (but no additional commitments in 2020-21 and beyond). As the figure shows, with these commitments, operating surpluses would decline over the outlook period such that they would be gone by the last year of the outlook.

In the Recession Scenario, \$30 Billion in Reserves Would Be Sufficient to Cover Deficits.

Figure 8 (see next page) displays the budget's condition assuming the recession scenario occurs. On the left side, we show the budget's condition if the state enters the recession with \$30 billion in reserves. (This would mean the Legislature uses all of the nearly \$15 billion in available resources in

2019-20 to build more reserves and makes no new commitments.) We also assume the Legislature funds schools and community colleges at the minimum level, meaning General Fund spending would decline year over year, as we described earlier. In this situation, the state would have plenty of reserves to cover its deficits. In fact, the state would end the 2022-23 fiscal year with \$13.5 billion in reserves—enough to cover additional deficits if the recession were worse or to cover any remaining deficits that occurred outside the outlook period.

With More in Commitments, Reserves Would Not Fully Cover the Budget Problem.

The right side of Figure 8 displays the budget's condition under the recession scenario if the Legislature makes additional commitments in 2019-20. (As we assumed in the growth scenario, the figure assumes that the Legislature made an additional \$2 billion in one-time and \$3 billion in ongoing commitments.) Under these assumptions, the state would enter the recession in 2020-21 with \$25 billion in reserves and operating deficits would grow by \$3 billion each year. By the end of the

Figure 8**General Fund Condition Under Recession Scenario***(In Billions)*

^a Assumes Legislature makes an additional \$2 billion in one-time and \$3 billion in ongoing spending increases or tax reductions in 2019-20.

LAO

period, the state would have exhausted its reserves and would require solutions—such as spending reductions, tax increases, or cost shifts—to cover a \$500 million budget problem.

More Reserves Would Be Needed to Mitigate Reductions to School Funding. In our *Fiscal Outlook* publications, we assume the state funds schools and community colleges at their minimum level. More explicitly, this means, under our assumptions, General Fund spending on K-14 education declines even as the state

maintains other programmatic spending using reserves. This assumption is in keeping with the publication's aim to show spending under current law and policies, which has generally been to fund schools and community colleges at the minimum required funding level. If instead the Legislature wanted to mitigate the impact on schools and spend above the minimum level, the state's operating deficits would be larger and more reserves would be needed to cover the budget problem. The nearby box contains more information on reserves and school spending.

DEMOGRAPHIC TRENDS

California's Population Is Aging. California's population is growing older—the average age of Californians has been increasing and is expected to continue to do so. This is occurring as a result of three distinct trends: (1) birth rates are declining, (2) baby boomers are now reaching retirement age, and (3) people are living longer. (Some of

these natural changes in demographics are offset or amplified by migration of some groups to and from the state. In recent years, more people left California for other states than moved to the state from other states. These population losses, however, have been much lower than historically.)

Reserves and School Spending

Rainy Day Fund Deposits Do Not Affect School Spending. State spending on schools is determined by a series of formulas. These formulas are unaffected by the constitutional requirements for the state to make reserve deposits into its rainy day fund (governed by Proposition 2 [2014]). Consequently, spending on schools is never lower as a result of these reserve deposits. Rather, these deposits result in less revenue available for *nonschool* programs. As a result, spending on nonschool programs is reduced during the time that reserves are built up.

School Reserves. Proposition 2 also established a specific statewide school reserve account (the Public School System Stabilization Account), which is governed by a separate set of formulas. To date, these formulas have not resulted in any deposits being made into the school reserve. As such, school districts do not have dedicated reserves available to cushion the impact of a recession.

Growth in Population by Age in the Outlook Period. Figure 9 shows how our projected change in population by age group unfolds over our outlook period (2017 through 2023). We expect: (1) the population of children and young adults to decline, (2) the population of those in their prime working years to remain relatively flat, and (3) the population of seniors to increase significantly. Our projections for each of these age cohorts are close to the most recent projections made by the Department of Finance (DOF). However, DOF expects the population of children ages 5 to 17 to increase slightly over the period and young adults (ages 18 to 24) to remain nearly constant.

Fiscal Effects

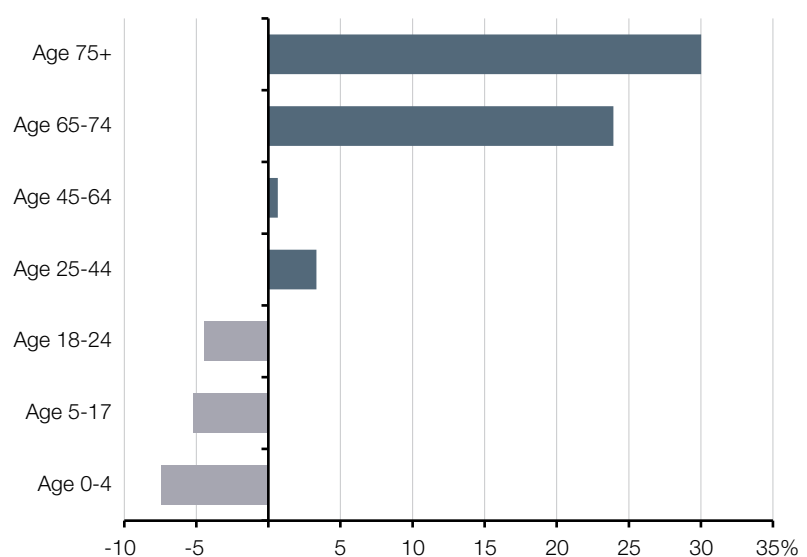
We expect each of these three demographic trends to have distinct effects on the budget. This section examines the fiscal effects of each of these trends individually and then describes their likely net effect.

Some Cost Increases From Older Population. We expect the growth in the population of older Californians to result in somewhat higher costs for some programs. In particular, an aging population means higher costs for:

- **Medi-Cal**, which provides health insurance coverage for low-income families, seniors, and people with disabilities. In the program, caseload for seniors is expected to increase at a rate of 2.7 percent over the next five years (much higher growth than for any other group). Medi-Cal's senior caseload carries higher costs for the state on average, resulting in somewhat higher costs to the program overall.

Figure 9

Expected Growth by Age Cohort, 2017-2023



LAO

- **IHSS** provides supportive services to low-income seniors and people with disabilities. As such, caseload growth in this program is in part driven by the aging population. Additionally, as individuals live longer, recipients likely will spend more time in the program and require a higher level of service.
- **Retiree Health** provides medical benefits to retired state employees. The state is paying these benefits in the year they are used by retirees (although the state also is implementing a plan to prefund these benefits for current employees). As more state employees retire and people live longer, the costs associated with providing their health benefits will continue to increase.

That said, overall, demographic trends are not the most important determinant of these programs' costs. In IHSS and Medi-Cal, for example, policy changes—such as increases in the state minimum wage and the optional expansion of Medi-Cal benefits to a broader group of low-income individuals—result in much larger cost increases than those attributable to demographic shifts. Similarly, for retiree health, another important determinant of program costs is the trend in medical prices.

Somewhat Lower Tax Revenues Possible From Flat Working Age Population. Weak growth of the 45 to 64 age group could hamper growth in state tax revenues because this is the age category that routinely earns the highest wages and salaries. That said, this effect must be considered in light of other demographic shifts in this population. California's PIT revenues depend, to a large extent, on high-income earners. As a result, revenues

would be much more sensitive to changes in the population of higher-income people than changes in the overall working age population. In fact, recent data on migration suggest that although California has had net out-migration among most demographic groups, it has gained among those with higher incomes (\$110,000 per year or more) and higher levels of education (graduate degrees).

Growth in General Fund Costs Declines as Growth in Population of Children Slows. In contrast to programs that largely benefit older Californians, lower growth in the state's population of children results in *lower* cost growth for other areas of the budget (particularly, schools). Under the rules of Proposition 98, declines in student attendance tend to reduce required funding levels. Over the next few years, we expect attendance to decline somewhat (although not as much as the ages 5 to 17 group). This reduces associated school costs. By comparison, if the school-age population instead grew at the same rate as the overall population, the state would have to spend additional billions of dollars over the outlook period.

On Net, Demographic Trends Likely Resulting in Lower General Fund Spending Growth. The net effect of an aging population in California has counterintuitive fiscal effects. Many think the aging population is a major driver of increasing General Fund costs, but that view is incomplete. While growth in the population of older Californians likely means higher costs for some programs, declines in the population of children means much lower growth in costs for other programs. In fact, on net over the next few years, the state's demographic trends are likely resulting in *lower*, not higher, General Fund cost growth. That said, demographic factors have less effect on the state budget than policy choices and economic conditions.

LAO COMMENTS

Consider Target for Overall Level of Reserves. The budget now has a variety of reserve accounts, including some general purpose accounts and some program specific accounts, like the ones created in 2018-19 for Medi-Cal and CalWORKs. Each year we encourage the Legislature to first

consider its target level of overall reserves as it builds the budget. In 2019-20, the state will have nearly \$15 billion in its constitutional reserve account. In addition, the Legislature also will be able to use the \$15 billion in available resources to build more reserves. In this report, we have found

that a \$30 billion reserve would be sufficient to cover the entire budget problem associated with Moody's moderate recession scenario. We also noted that, with new ongoing commitments in 2019-20, a smaller reserve would be insufficient to fully cover a budget problem.

Consider How to Provide Reserves for Schools. In addition to general purpose reserves, the state has a separate statewide reserve for schools. However, the school reserve has yet to receive any deposits. Our recession scenario assumes schools and community colleges are funded at their constitutional minimum level. That is, in our scenario, general purpose reserves are used solely to maintain nonschool programs. If, instead, general purpose reserves were used to mitigate reductions to schools, additional reserves would be required to cover larger deficits. This raises basic questions about how the Legislature would like to build reserves for schools and the rest of the budget in anticipation of the next recession.

Legislature Has Unique Opportunity to Prepare for Coming Challenges. In the coming years, the budget likely will face a variety of challenges. An obvious example is the economy, which could slow. Decisions by the federal government will affect the state budget, economy, and tax revenues. Similarly, future decisions by the state's retirement systems can change state costs by billions of dollars—an area of spending that the Constitution places largely outside of the Legislature's control. Finally, the state always faces the risk of confronting a natural disaster that could carry high costs for the people of California and their government. The \$15 billion surplus we anticipate for 2019-20 gives the Legislature a unique opportunity to prepare for coming challenges. As such, we would encourage the Legislature to allocate a significant portion of the available resources to one-time purposes and building higher reserve levels.

APPENDIX

Appendix Figure 1

LAO November 2018 Revenue Outlook

General Fund (Dollars in Millions)

Growth Scenario	Estimates		Outlook				Average Annual Growth ^a
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
Personal income tax	\$93,966	\$97,865	\$100,985	\$103,509	\$106,278	\$109,644	2.9%
Sales and use tax	25,007	25,870	26,819	27,753	28,596	29,268	3.1
Corporation tax	12,260	12,728	13,566	14,412	15,111	15,780	5.5
Subtotals	(\$131,233)	(\$136,463)	(\$141,369)	(\$145,674)	(\$149,985)	(\$154,692)	(3.2%)
Insurance tax	\$2,575	\$2,696	\$2,883	\$3,007	\$3,059	\$3,129	3.8%
Other revenues	1,711	1,762	1,799	1,802	1,801	1,797	0.5
BSA transfer	-4,289	-2,766	-745	-445	-435	-478	-35.5
Other transfers	-305	-641	-241	-161	57	202	N/A
Totals, Revenues and Transfers	\$130,925	\$137,514	\$145,065	\$149,877	\$154,465	\$159,343	3.8%
Percent change	—	5%	5%	3%	3%	3%	—
Recession Scenario	Estimates		Outlook				Average Annual Growth ^a
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
Personal income tax	\$93,966	\$97,865	\$100,985	\$96,286	\$92,446	\$96,505	-0.3%
Sales and use tax	25,007	25,870	26,819	26,804	26,842	27,775	1.8
Corporation tax	12,260	12,728	13,566	12,363	10,730	13,290	1.1
Subtotals	(\$131,233)	(\$136,463)	(\$141,369)	(\$135,452)	(\$130,019)	(\$137,569)	(0.2%)
Insurance tax	\$2,575	\$2,696	\$2,883	\$3,007	\$3,059	\$3,129	3.8%
Other revenues	1,711	1,762	1,799	1,802	1,801	1,797	0.5
BSA transfer	-4,289	-2,766	-745	—	—	—	—
Other transfers	-305	-641	-241	-161	57	202	N/A
Totals, Revenues and Transfers	\$130,925	\$137,514	\$145,065	\$140,100	\$134,935	\$142,697	0.9%
Percent change	—	5%	5%	-3%	-4%	6%	—

^a From 2018-19 to 2022-23.
BSA = Budget Stabilization Account.

Appendix Figure 2**Spending Through 2019-20***LAO November 2018 General Fund Estimates (Dollars in Millions)*

	Estimates		Outlook	
	2017-18	2018-19	2019-20	Change From 2018-19
Major Education Programs				
Schools and community colleges ^a	\$52,911	\$54,230	\$55,447	2.2%
University of California	3,549	3,729	3,567	-4.3
California State University	3,474	3,655	3,752	2.6
Financial aid	1,188	1,234	1,318	6.8
Child care	1,019	1,378	1,465	6.3
Major Health and Human Services				
Medi-Cal	20,345	22,563	23,943	6.1
Department of Developmental Services	4,144	4,487	4,819	7.4
In-Home Supportive Services	3,444	3,813	3,897	2.2
SSI/SSP	2,840	2,793	2,800	0.3
Department of State Hospitals	1,485	1,673	1,631	-2.5
CalWORKs	438	201	268	33.3
Major Criminal Justice Programs				
Corrections and Rehabilitation	11,068	11,630	11,910	2.4
Judiciary	1,743	1,888	2,205	16.8
Debt service on state bonds	5,259	5,532	5,380	-2.8
Other programs	13,598	18,504	16,972	-8.3
Totals	\$126,505	\$137,310	\$139,373	1.5%

^a Reflects the General Fund component of the Proposition 98 minimum guarantee.

Appendix Figure 3

Spending by Major Area Through 2022-23

LAO November 2018 General Fund Estimates (Dollars in Millions)

Growth Scenario	Estimates		Outlook				Average Annual Growth ^a
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
Education Programs							
Schools and community colleges ^b	\$52.9	\$54.2	\$55.4	\$57.1	\$58.9	\$60.7	2.9%
Other education	9.2	10.0	10.1	10.3	10.7	10.9	2.2
Health and Human Services	32.7	35.5	37.4	40.0	42.1	44.3	5.7
Criminal Justice	12.8	13.5	14.1	14.2	14.4	14.6	1.9
Debt service on state bonds	5.3	5.5	5.4	6.0	6.4	6.2	3.0
Other programs	13.6	18.5	17.0	17.6	18.5	19.7	1.5
Totals	\$126.5	\$137.3	\$139.4	\$145.3	\$150.9	\$156.4	3.3
Percent change	—	8.5%	1.5%	4.2%	3.9%	3.6%	—

Recession Scenario	Estimates		Outlook				Average Annual Growth ^a
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
Education Programs							
Schools and community colleges ^b	\$52.9	\$54.2	\$55.4	\$53.2	\$51.2	\$54.1	—
Other education	9.2	10.0	10.1	10.3	10.7	10.9	2.2%
Health and Human Services	32.7	35.5	37.4	40.3	42.9	45.2	6.2
Criminal Justice	12.8	13.5	14.1	14.2	14.4	14.6	1.9
Debt service on state bonds	5.3	5.5	5.4	6.0	6.4	6.2	3.0
Other programs	13.6	18.5	17.0	16.5	17.6	18.8	0.4
Totals	\$126.5	\$137.3	\$139.4	\$140.6	\$143.2	\$149.9	2.2%
Percent change	—	8.5%	1.5%	0.9%	1.9%	4.7%	—

^a From 2018-19 to 2022-23.

^b Reflects the General Fund component of the Proposition 98 minimum guarantee.

Note: Program groups are defined to include departments listed in Appendix Figure 2.

LAO PUBLICATIONS

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Q2 2018



City of Atascadero Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

ITEM NUMBER: C-3
DATE: 01/22/19
ATTACHMENT: 1

Atascadero In Brief

Atascadero's receipts from April through June were 7.5% below the second sales period in 2017. However, CDTFA's transition to a new reporting system resulted in multiple returns not processed in the current period for the second quarter in a row. Comparisons in sectors like service stations and building-construction were heavily impacted by the lack of allocations. Including expected remittances and other reporting aberrations, actual sales were up 2.4%.

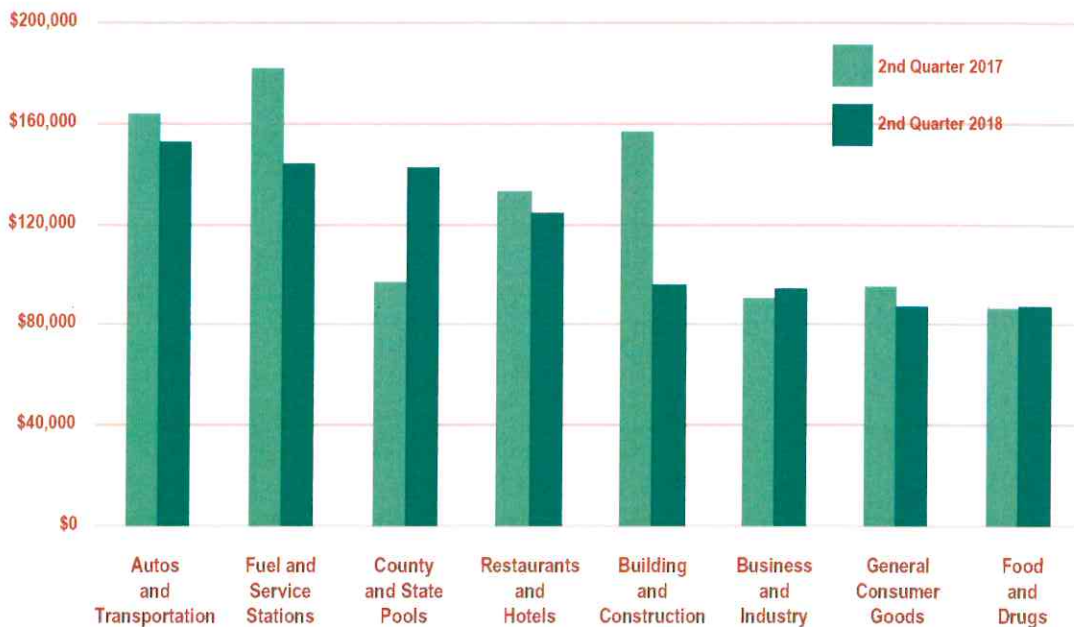
Once adjusted, steady price increases at the pump, mostly due to the global cost of crude oil and the implementation of SB-1 locally, pushed gas station returns higher. The recent addition of casual dining establishments and continued interest in eating out positively impacted restaurants receipts.

While auto-transportation receipts remain steady, when compared to a peak period one year ago, total revenue generated declined slightly.

The City's voter-approved half-cent transaction tax, Measure F-14, generated an additional \$499,192, a 15.4% decrease over last year. This additional revenue source was also temporarily impacted by CDTFA software changes.

Net of aberrations, taxable sales for all of San Luis Obispo County declined 3.8% over the comparable time period; the Central Coast region was down 1.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Atascadero 76	Pacific Coast RV
Atascadero Shell	Rite Aid
Big Lots	San Anselmo
Chalk Mountain Gas	Chevron
Chalk Mountain Liquor & Deli	Santa Margarita Auction Barn
Circle K Union 76	Sky River
El Camino Building Supply	Smart & Final
Farwest Line Specialties	Ted Miles Motors
Food 4 Less	Tesoro Refining & Marketing
Home Depot	Triple 7 Auto Sales
In N Out Burger	Valley Speed & Marine
Kmart	Vons
Miners Ace Hardware	Walgreens

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$3,351,300	\$3,241,892
County Pool	454,724	506,825
State Pool	1,797	1,879
Gross Receipts	\$3,807,821	\$3,750,596
Measure F14	\$2,224,804	\$2,115,143

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

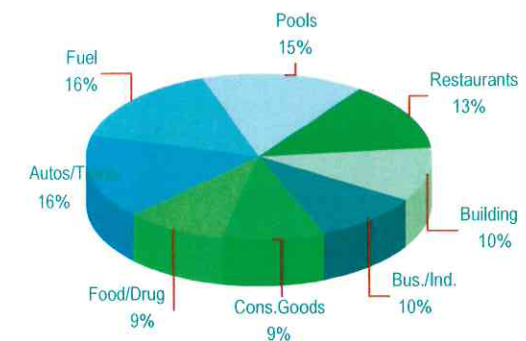
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Atascadero This Quarter



ATASCADERO TOP 15 BUSINESS TYPES

Business Type	Atascadero		County	HdL State
	Q2 '18	Change	Change	Change
Automotive Supply Stores	22,285	-5.1%	-6.9%	-11.6%
Boats/Motorcycles	— CONFIDENTIAL —		-38.1%	-12.4%
Building Materials	80,521	-40.1%	-19.6%	-23.2%
Casual Dining	58,910	11.6%	-14.9%	-12.6%
Discount Dept Stores	— CONFIDENTIAL —		-14.1%	-13.5%
Drug Stores	23,129	-6.6%	-7.3%	-4.2%
Electronics/Appliance Stores	13,173	52.3%	4.5%	-5.1%
Garden/Agricultural Supplies	12,592	-20.3%	3.0%	-15.8%
Grocery Stores	52,674	2.5%	-5.4%	-7.0%
Heavy Industrial	— CONFIDENTIAL —		11.8%	-26.2%
Quick-Service Restaurants	58,423	-18.7%	-17.6%	-5.8%
Service Stations	143,482	-20.7%	-33.9%	-26.4%
Trailers/RVs	— CONFIDENTIAL —		4.9%	-6.7%
Used Automotive Dealers	41,447	-14.5%	-33.0%	-41.5%
Variety Stores	— CONFIDENTIAL —		3.3%	-3.0%
Total All Accounts	786,584	-13.3%	-24.2%	-12.2%
County & State Pool Allocation	142,566	47.0%	28.5%	5.5%
Gross Receipts	929,151	-7.5%	-19.1%	-10.1%

CALIFORNIA FORECAST SALES TAX TRENDS AND ECONOMIC DRIVERS

SEPTEMBER 2018

HdL Companies

HdL provides relevant information and analyses on the economic forces affecting California's local government agencies. In addition, HdL's Revenue Enhancement and Economic Development Services help clients to maximize revenues.

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*Delivering Revenue, Insight and Efficiency
to Local Government Since 1983*

HDL CONSENSUS FORECAST – SEPTEMBER 2018

STATEWIDE SALES TAX TRENDS

ITEM NUMBER: C-3
DATE: 01/22/19
ATTACHMENT: 1

HdL Companies

 **TOTAL 2.2% | 2.1%**



Autos/Transportation

2018/19 | 2019/20
0.5% | 0.0%

This sector is in a sweet-spot marked by growing wages combined with moderate financing rates; this has yielded strong truck and sports utility vehicle sales. However, lending rates have risen from historic lows and it is becoming more difficult to find zero-rate vehicle loans. Continued increases in benchmark interest rates, higher gasoline prices and a glut of off-lease vehicles hitting the market are expected to crimp tax revenue in the coming months. Simmering trade tensions further unsettle industry observers.



Fuel/Service Stations 0.2% | 1.0%

Global crude oil prices have remained steady for several months as OPEC members and affiliates complied with production caps, only slowly increasing output to keep up with demand. This consistent pricing also tempered U.S. extraction in West Texas as driller's struggle with tight labor markets. In California, while elevated summer pricing will soon give way to lower winter blend cost, all eyes will be on the Prop 6 November election results – repeal of SB-1 legislation that increased statewide excise tax on gas and diesel fuel.



Building/Construction 4.5% | 3.9%

Construction product costs are rising steadily and will boost taxes. Home affordability continues to take a hit with both labor and materials on a sharp upward trajectory. Planned multi-family starts may be affected as projects fail to pencil out. At best, upcoming bids for infrastructure projects will cause the scope of work to decrease, some projects could be delayed or shelved due to a lack of funding. The volume of work on highways and local streets under existing contracts is not affected by recent increases levies on imported steelwork and lumber.



General Consumer Goods 1.0% | 1.0%

Traditionally based retail is transforming itself driven by emphasis on experience and community. This means the integration of bedrock brands infused with ever changing, limited quality, unique finds combined with the addition of restaurants, pop-up shops, and amenities such as speaker series, art installations and podcasts. The launching of storefronts amplifying online sellers and the emergence of social media are becoming a force in the retail marketplace. As a result, there will be local and regional fluctuations in performance based on retail mix and demographics. There are predictions of an ongoing favorable sales trend, buoyed by rising wages and low unemployment. However emerging headwinds like rising freight, fuel prices and merchandise tariffs could rein in spending.



Business/Industry 2.2% | 2.0%

Not limited to this group, but the State's computer conversion problems delayed a substantial number of second quarter tax returns thereby skewing what can be determined from sales tax data. Outside statistics suggest capital investment remains at previous year's levels with the tech sector being the primary driver of growth. Costs of raw materials and transportation rising due to labor shortages. A rush in purchases to beat new rounds of tariff announcements may generate a spike in third quarter sales tax revenues followed by declines in subsequent quarters.



Restaurants/Hotels 3.0% | 3.0%

Restaurant owners again report a net increase in activity and are generally optimistic about sales growth in the months ahead. Quick service and fast casual eateries have remained unperturbed by the recent softness and should continue to perform well. Casual dining establishments are struggling with weak same-store sales and traffic. Menu prices are increasing at a much quicker rate than the prices of food at the grocery stores. California's hotel market remains strong; new openings offer bars, meals and other conveniences that contribute to the positive trend for this group.



Food/Drugs 1.9% | 1.5%

Grocery stores are in the midst of a rapidly changing landscape. Established chains still dominate the market. However, new entrants are luring shoppers with low margin products, expansive on-line inventories and quick home delivery. Cashierless outlets and voice activated buying are emerging trends anchored to consumer convenience preferences. Drug store offerings reflect liquor, food and trendy products while enhancing pharmaceutical and medical service offerings. Licensed cannabis businesses are cultivating new revenues for this sector.



State and County Pools 5.5% | 5.1%

Favorable prognostications are on the horizon for the 2018 holiday season. This is particularly so for e-commerce and mobile device purchases; experts anticipate sizeable growth from tech-savvy consumers. Amazon will dominate gains; traditional retailers are poised to reap benefits from digital age investments that cater to consumer shopping patterns. Congress introduced the Online Sales Simplicity and Small Business Relief Act in response to the Supreme Court's Wayfair decision. Notable is a \$10 million exemption provision for small business sellers; it remains until simplified taxpayer collection is agreed to by all states. California has yet to implement Wayfair guidelines; new out of state taxes for the pools are not expected soon.

Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocation to counties. Retroactive accounting adjustments are anticipated in 2018/19 and beyond as the California Department of Tax and Fee Administration migrated to a new information management platform in May 2018. HdL forecasts positive growth in Fiscal Year 2018/19 just at a slower pace than prior years due to potential economic constraints impacting consumer spending. HdL forecasts a statewide increase of 1.51% for Fiscal Year 2018/19 and a gain of 2.10% in 2019/20.

NATIONAL AND STATEWIDE ECONOMIC DRIVERS

ITEM NUMBER: C-3
DATE: 01/22/19
ATTACHMENT: 1

BEACON ECONOMICS



U.S. Real GDP Growth

2018/19 | 2019/20
3.0% | 2.4%

The United States is currently in the midst of the second longest expansion in the nation's history at 111 months and counting. If it continues to July of next year, the current expansion will officially become the longest on record. Will we make it? Odds are almost certain we will. Far from losing steam, the U.S. economy has been on an upswing lately. The rest of this year looks solid, but expect slower growth next year. Additionally, the long-term stressors of heavy Federal borrowing, rising interest rates and ongoing political chaos make it clear that while there is no reason to expect a recession anytime soon. We should remain more vigilant than ever in watching for the unanticipated shock. The nation's capacity to absorb a blow to its economy is substantially diminished and it won't take much to end the current expansion.



U.S. Unemployment Rate 3.9% | 3.9%

Employment growth over the last 3 months has totaled over 200,000 jobs added per month even with unemployment below 4%. More importantly, the job openings rate is at 4.2%, suggesting that employers would hire even more workers if they could find them. As positive as all this news is, don't be fooled into believing the U.S. economy has truly achieved a new pace of sustained growth. The current growth surge is, at best, temporary, with the economy's long-run trajectory limited by increases in the labor force.



CA Total Nonfarm Employment Growth

1.8% | 1.7%

With two quarters down and sights turning toward the last part of the year, it is apparent that the California economic engine continues to hum along, much like the nation as a whole. Job gains have been steady and the state's leading industries have expanded despite ongoing concerns on the international trade front. In looking at the future growth trajectory of the California economy, the elephant in the room is the high cost of housing and its impact on labor force growth. As growth in the state's labor force slows further, it will tighten like a noose on the economy and limit future expansion and business development.



CA Unemployment Rate 4.1% | 4.0%

California continues to land in record territory, with its unemployment rate at 4.2% for the fourth month in a row as of July 2018. Recent labor market reports reveal the ongoing challenge that U.S. employers currently face in filling job vacancies. The number of job openings nationally has been routinely pushing into record territory, with nearly every industry suffering from a lack of workers, from the tech sector to health care to restaurants. These problems are compounded in California, which has consistently outpaced the nation in terms of job growth and economic activity.



CA Median Existing Home Price \$502,100 | \$533,865

California's housing market has been a mixed bag so far this year. According to CoreLogic, the median home price in California was \$481,100 in the second quarter, up 8.6% year-to-year. The median price is still about 7% below its pre-recession peak despite a string of yearly price gains going back several years. Still, home sales have been average, at best, and disappointing when considered against the backdrop of the state's long economic expansion.



CA Residential Building Permits 122,500 | 132,100

New home construction moved up a notch in the first half of this year compared with last year, a development that should also temper, but not halt, price increases. Overall, housing permits rose 9.4% in the first half of 2018 compared to one year earlier, with increases of 7.3% in single-family permits and 11.4% in multi-family permits. The state is on track to add about 130,000 new units this calendar year, still far below its needs which are closer to 200,000 units annually. As long as home construction lags what the state needs, high housing costs will be a painful thorn in the side of the California economy.

HdL Companies

120 S. State College Blvd., Suite 200
Brea, CA 92821
Telephone: 714.879.5000 • 888.861.0220
Fax: 909.861.7726

California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.

Beacon Economics

Southern California Office
5777 West Century Boulevard, Suite 895
Los Angeles, CA 90045
Telephone: 310.571.3399
Fax: 424.646.4660
E-Fax: 888.821.4647

Beacon Economics, LLC has proven to be one of the most thorough and accurate, economic research/analytical forecasters in the country. They regularly provide national, state, regional, and sub-regional economic analysis/forecasting to clients ranging from the State of California to private hedge funds to major universities. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration and sharing of information between Beacon Economics and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.



HdL Companies

714.879.5000 | hdlcompanies.com
120 S. State College Blvd., Suite 200, Brea, CA 92821

DRAFT RESOLUTION A

**RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF ATASCADERO, CALIFORNIA, APPROVING
FINANCIAL POLICIES AS DOCUMENTED IN SECTION 6
OF THE COMPREHENSIVE FINANCIAL STRATEGY**

WHEREAS, the City Council has reviewed the Comprehensive Financial Strategy as updated January 2019; and,

WHEREAS, the City Council desires for financial wellness for the Community and City operations; and,

WHEREAS, the Comprehensive Financial Strategy updated January 2019 provides Policies and Practices that, when adopted, will enhance the financial wellness of the Community and the City operations; and,

WHEREAS, the City Council hereby wishes to approve the financial policies and practices as documented in Section 6 of the Comprehensive Financial Strategy.

NOW, THEREFORE BE IT RESOLVED, by the City Council of the City of Atascadero:

SECTION 1. The above recitals are true and correct.

SECTION 2. The policies and practices detailed in Section 6-Policies, of the Comprehensive Financial Strategy updated January 2019, attached as Exhibit A to this Resolution and incorporated herein by this reference, are approved as presented.

SECTION 3. These policies are effective immediately upon adoption of this resolution.

PASSED AND ADOPTED at a regular meeting of the City Council held on the _____ day of _____, 2019.

ITEM NUMBER:

C-3

DATE:

01/22/19

ATTACHMENT:

2

On motion by _____ and seconded by _____, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CITY OF ATASCADERO

Heather Moreno, Mayor

ATTEST:

Lara K. Christensen, City Clerk

APPROVED AS TO FORM:

Brian A. Pierik, City Attorney

Exhibit A

Atascadero

Comprehensive Financial Strategy January 2019

Section 6- Policies

Review of Fiscal Policies

The budget document allocates City resources such as personnel, materials, and equipment in tangible ways to achieve the general goals of the community. It is prudent, therefore, for the City to have in place fiscal policies and practices to guide the City Manager and City Council through the budget decision-making process. These policies and practices are:

Operational Efficiencies:

- ◆ Implement and practice ongoing operational efficiencies to the extent reasonable;
- ◆ Enter into joint operating arrangements with other organizations so as to provide services more cost effectively;
- ◆ Continue the use of valuable volunteers.

Staffing:

- ◆ Continue to have the Department Head team evaluate key personnel needs of the City. A supplemental request is submitted by each Department Head for staffing needs within the department, and these are evaluated, discussed and prioritized. Tough decisions are made as part of the budget process based on Council priorities, safety concerns, and work volume changes;
- ◆ Utilize private contractors when the same or higher level of service can be obtained at lower total cost;
- ◆ Utilize consultants and temporary help instead of hiring staff for special projects or peak workload periods.
- ◆ Attract and retain competent employees by providing a professional work environment, competitive salaries, safe working conditions, and adequate training opportunities;
- ◆ Base salary increases on individual merit and job performance levels;
- ◆ Strive toward maintaining above competitive compensation packages in order to recruit and maintain the best and the brightest;
- ◆ Work toward adequate staffing for the service levels being provided;
- ◆ Be aware of and plan for state, federal and OSHA mandates which might have an effect on staffing levels;
- ◆ Be aware of, monitor and avoid the “hidden” costs of employee turnover, burnout, and stress due to overwork;
- ◆ Look for staff-level streamline opportunities and reductions in areas where there will be minimal impacts to citizens, thus “freeing” employee time.

Education and Communication:

- ◆ Dissemination of important financial information to staff through City Manager roundtables, meetings, emails, and other means of communication;
- ◆ Encourage employee ideas for efficiency, reduction in costs, or increases in revenues;
- ◆ Provide Council and public with information regarding the City's financial outlook through both the audit and budget process, and continue to update with any changes that occur.

Economic Development:

- ◆ Provide a climate that encourages healthy commercial areas that capture more of the purchasing power of the community and creates more destination commercial activities to capture regional money;
- ◆ Aggressively pursue new developments and businesses which are consistent with the community's quality of life and add to the City's economic base, particularly those that generate sales tax revenue;
- ◆ Promote a mix of businesses that contributes to a balanced community;
- ◆ Continue to improve programs to enhance and retain existing businesses;
- ◆ Continue the promotion and tourism programs as a key component of the economic development strategy.

Community Development:

- ◆ Ensure that adequate funding is in place to provide essential services to new residents without diluting services for existing residents by:
 - Supporting the Community Facilities District to fund the addition of the necessary police, fire and parks personnel needed to provide services to these new residents;
 - Continuing to the fullest extent possible to annex projects into the Community Facilities District. (The general plan requires that only developments with 100 or more units be fiscally neutral);
 - Discontinue the use of Assessment Districts in lieu of Homeowner's Associations or other similar mechanisms required of new development to provide ongoing revenue source for the maintenance of development-related infrastructure. These Homeowner's Associations or other mechanisms would be privately managed to avoid City staff time otherwise required of mechanisms such as Assessment Districts.
- ◆ Require that new growth pay for the expansion of facilities and infrastructure necessary to serve the expanding population;
- ◆ Plan community growth with service and maintenance funding requirements in mind.

Infrastructure:

- ◆ Fully fund technology replacement funds;
- ◆ Work toward fully funding vehicles, equipment, buildings, and other infrastructure;
- ◆ Continue to determine and implement strategies to reduce the current backlog of deferred maintenance projects;
- ◆ Provide sufficient routine maintenance each year to avoid increasing the deferred maintenance backlog;
- ◆ Determine a maintenance plan and funding strategy prior to the construction, improvement or acceptance of new infrastructure.

New Services:

- ◆ New or expanded programs should only be implemented when a new funding source has been developed or when an equal or greater cost program has been eliminated;
- ◆ Require agreements for specific services and monitor effectiveness on an ongoing basis.

Construction of New Facilities:

- ◆ Plan for new facilities only if construction and maintenance costs will not negatively impact the operating budget.

Cash Investment:

- ◆ Follow adopted Investment Policy guidelines for the prudent investment of City funds not required for the immediate needs of the City;
- ◆ Maximize the efficiency of the City's cash management system;
- ◆ Enhance the economic status of the City while protecting its pooled cash.

Fiscal Management:

- ◆ Maintain appropriate reserve levels;
- ◆ Consider the long-term and the short-term when making financial decisions;
- ◆ Continuously monitor operations and make adjustments as necessary;
- ◆ Take full advantage of opportunities to receive reimbursement funding at maximum rates possible;
- ◆ Generate additional revenue by marketing City services to other agencies on a contract basis;
- ◆ Maximize revenues by utilizing grants from other agencies to the fullest extent possible;

- ◆ Charge fees for services that reflect the true cost of providing such services and to review fee schedules on a regular basis;
- ◆ Fully account for the cost of enterprise operations to avoid any subsidy by the General Fund and to charge all enterprise funds their fair share of the cost of City support services;
- ◆ Maintain accurate accounting records to keep the City Manager, City Council and public informed of the financial condition of the City at all times;
- ◆ Think outside of the box to achieve revenue opportunities that wouldn't otherwise exist;
- ◆ Consider partnerships and taxing opportunities when appropriate.

Conclusion

The policies and practices listed in this section have been practical guides toward a consistently healthy fiscal condition. The importance of these and a well-defined financial strategy to anticipate and conquer difficult issues cannot be understated. The responsibility to maintain a strong organization is shared community wide, but as the City Council and City employees, we agree to be the leaders in this effort. Council has shown integrity in the decisions made to maintain the conservative fiscal strategy. When resources are tight and needs are plenty, it is difficult to commit to saving some of those precious resources for the future. Those reserves are most appreciated now as the City continues to recover and expand revenues. Certainly, the fiscal strategy is working. The recovery is slow and steady. Decisions will continue to be difficult, especially as public pressure continues to build to increase one-time and on-going spending. The fiscal strategy has provided the option to keep operations and service level stable and continues to provide the City with a sustainable future.

ATTACHMENTS:

Attachment A- The State Legislative Analyst's Office's (LAO's) California Fiscal Outlook November 2018,

Attachment B- HDL's City of Atascadero Sales Tax Update Q2 2018

Attachment C- HDL's California Forecast: Sales Tax Trends and Economic Drivers, September 2018

DRAFT RESOLUTION B

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF ATASCADERO, CALIFORNIA,
AMENDING FISCAL YEAR 2018-2019 BUDGET**

WHEREAS, the City Council adopted Resolution 2017-045 setting forth the budget for fiscal year 2018-2019; and,

WHEREAS, the City Council hereby wishes to amend said budget.

NOW, THEREFORE BE IT RESOLVED, by the City Council of the City of Atascadero:

SECTION 1. The appropriation amounts are amended as follows:

	<u>2018-2019</u>	
	<u>Expenditure Budget</u>	
	<u>Adjustments- Increases</u>	
General Fund	\$	377,710
Building Maintenance and Replacement Fund	\$	27,490
Gas Tax Fund	\$	9,710
Wastewater Fund	\$	27,270
Technology Fund	\$	16,100

SECTION 2. These changes are effective immediately upon adoption of this Resolution.

PASSED AND ADOPTED at a regular meeting of the City Council held on the _____ day of _____, 2019.

ITEM NUMBER:
DATE:
ATTACHMENT:

C-3
01/22/19
3

On motion by _____ and seconded by _____, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CITY OF ATASCADERO

Heather Moreno, Mayor

ATTEST:

Lara K. Christensen, City Clerk

APPROVED AS TO FORM:

Brian A. Pierik, City Attorney



Atascadero City Council

Director's Report – Community Development Department

Sunken Gardens Heritage Tree Removal and Replanting Plan (TRP 18-0147)

RECOMMENDATIONS:

Council:

1. Adopt Draft Resolution, approving the removal of a heritage Magnolia tree from the Sunken Gardens Park.
2. Provide staff direction regarding a reforestation plan for the Sunken Gardens.

DISCUSSION:

Background:

The four large Deodar cedars and the two Magnolias, in the Sunken Gardens Park, were planted in the early 1920's and as such were designated as Heritage Trees when the Tree Ordinance was updated earlier this year. In 2017, the City Council approved the removal of one of the four Deodar Cedars in the Sunken Gardens Park. The tree was in severe decline and needed to be removed for safety reasons. One of the Magnolia trees at the corner of East Mall and Palma Avenue has been declining, and has now reached the point where it must also be removed. The City did make numerous efforts to revive the tree in the past, but these efforts were not successful.

Analysis:

The Magnolia tree is a species of evergreen Magnolia that appears to be the Southern Magnolia (*Magnolia Grandiflora*). These trees are native to Louisiana and the deep south. They are actually a drought tolerant tree commonly used as a landscape tree in California. Over the past several years, the City has worked with arborists to help bring the Magnolia at the corner of East Mall and Palma Avenue back to health, however it has continued to decline and has now lost the majority of its foliage. It now stands in stark contrast to the Magnolia tree at the corner of West Mall and Palma that was planted at the same time, nearly 100 years ago. The time has come to remove the tree before it becomes a safety hazard.

Reforestation/Succession:

The Sunken Gardens and the adjacent City Administration Building are historic features of the City and are listed on the National Historic Register. The Deodar cedars and Magnolias (*Magnolia Grandiflora*) were planted at the Sunken Gardens as part of the vision for the civic center. The original plantings and species were part of a historic vision to compliment the Beaux Arts design theme of the civic center. These significant trees are now reaching an age of 100 years and continuing efforts to plan for their succession/replacement should be taken. The oak trees (Coast Live Oak) were installed as part of the newer path and lighting improvements that were implemented in 2005 in an effort to begin some reforestation of the park as the Deodar cedars and Magnolias near the end of their life expectancy.

As we continue moving forward with succession and replacement plantings, consideration must be given to the historic significance of the park design and modifications to the Sunken Gardens should be aligned with the Secretary of the Interiors standards for historic resources. From an aesthetic standpoint, the tree plantings at the Sunken Gardens are meant to frame the view to City Hall. This was especially important when the mall was still intact, prior to bisection by the 101 freeway. In coordination with the La Plaza Project, a pedestrian plaza is planned at the current terminus of the mall on axis with City Hall. Attention should be given to this viewshed and the tree shape that will frame City Hall.

With this in mind, staff is considering options towards the completion of a reforestation plan for the Park and is seeking Council input and direction as the plan is developed. Due to the historical setting of the park, it is staff's intention to further explore replacing the removed trees with trees of the same variety in the same location. Staff is planning to consult with a local arborist to evaluate, not only what would need to be done to for successful replanting, but also what other options are available to insure that the Park retains its historical feel. Other options may include planting additional Deodars now so that they can mature as the existing trees decline. Another consideration could be to replace some of the historic planting palette with native varieties such as Coast Live Oak or other native oaks.

Based on input received at this Council meeting, staff will meet with an arborist and bring back a Sunken Gardens Tree Planting Plan at a later date for adoption.

Conclusion:

The Magnolia at East Mall and Palma Avenue has declined to a point where it needs to be removed to protect public safety. Staff will return to Council with a replanting plan for the Sunken Gardens.

FISCAL IMPACT:

The cost to remove the Magnolia tree is estimated to be between \$1,500-2,000.

ATTACHMENT:

Draft Resolution: Heritage Tree Removal

ATTACHMENT 1:
Draft Resolution: Heritage Tree Removal

DRAFT RESOLUTION

**RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF ATASCADERO, CALIFORNIA, APPROVING THE REMOVAL
OF ONE MAGNOLIA TREE FROM THE SUNKEN GARDENS**

**CITY OF ATASCADERO
SUNKEN GARDENS
(TRP 18-0147)**

WHEREAS, an application was received from the City of Atascadero, 6500 Palma Ave, Atascadero, CA 93422 (Owner), for a Tree Removal Permit to remove one (1) heritage Magnolia tree from the Sunken Gardens Park; and

WHEREAS, the City Council reviewed the proposed Tree Removal Permit application on January 22, 2019, at 6:00 p.m. and considered testimony and reports from staff and the public.

NOW, THEREFORE BE IT RESOLVED, by the City Council of the City of Atascadero:

SECTION 1. Recitals. The foregoing recitals are true and correct and the City Council so finds and determines.

SECTION 2. Facts and Findings. The City Council makes the following findings, determinations and approvals with respect to the heritage Magnolia tree removal:

A. Findings for Heritage Magnolia Tree Removal

FINDING: (i) The tree is dead, diseased or injured beyond reclamation, as certified by a tree condition report from an arborist;

FACT: An arborist has determined that the tree proposed for removal is diseased beyond reclamation.

SECTION 3. Approval. The City Council of the City of Atascadero, in a regular session assembled on January 22, 2019, resolved to approve TRP 18-0147 allowing for the removal of a designated heritage tree.

SECTION 4. Effective Date. This Resolution shall take effect upon adoption, and shall remain in effect until revised by the City Council.

PASSED AND ADOPTED at a regular meeting of the City Council held on the ___th day of _____, 2019.

ITEM NUMBER: C-4
DATE: 01/22/19
ATTACHMENT: 1

On motion by Council Member _____ and seconded by Council Member _____, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

CITY OF ATASCADERO

Heather Moreno, Mayor

ATTEST:

Lara K. Christensen, City Clerk

APPROVED AS TO FORM:

Brian A. Pierik, City Attorney