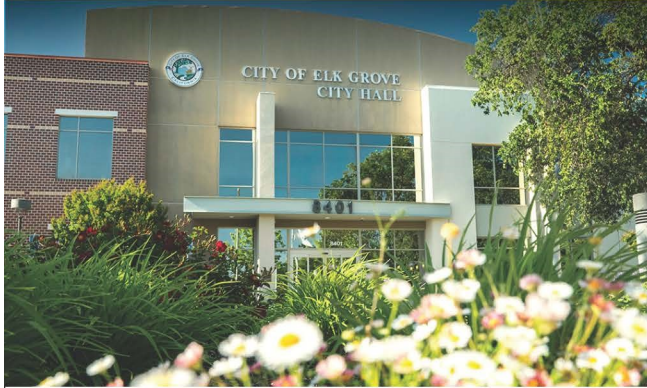


CITY OF  
ELK GROVE  
CALIFORNIA



# ANNUAL FINANCIAL REPORT TO THE COMMUNITY

FISCAL YEAR ENDED JUNE 30, 2019





## To the Residents of Elk Grove

The Finance Department is proud to present you with the City's Annual Financial Report to the Community for the fiscal year (FY) ended June 30, 2019. This report provides an overview of the City's financial condition and a brief analysis of where the City revenues are derived and where those dollars are spent.

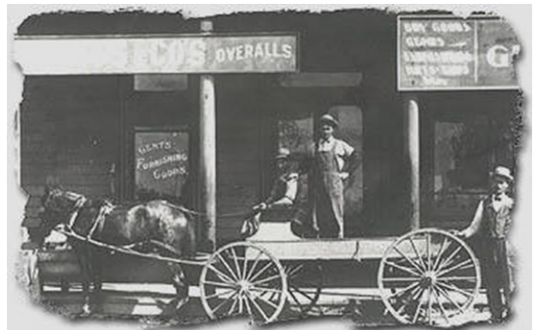
Most of the information in this report is drawn from the financial information appearing in the FY 2018-19 Comprehensive Annual Financial Report (CAFR). The CAFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was audited by the City's independent auditors, receiving an unmodified opinion. While the financial data in this document is derived from GAAP data, the statistical, economic and demographic data are taken from various sources and are not GAAP-basis data.

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

## City Overview

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

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



(at-large) and each represent one of four council residency districts where the councilmember must reside within.

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

The region has continued to strengthen economically over the last year. Elk Grove has experienced improvement from a 3.6% unemployment rate in 2018 to a 3.4% unemployment rate in 2019.

Property assessed valuations increased again during fiscal year 2018-19, an increase of 6.75% in Elk Grove over the prior year. Expectations are that the City will continue with assessed valuation increases in fiscal year 2019-20.

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

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

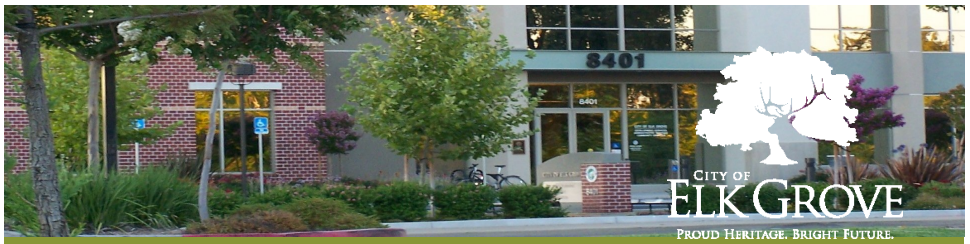
## Financial Highlights for Fiscal Year 2019

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

Highlights of the City of Elk Grove’s financial activities for the fiscal year ending June 30, 2019 include:

- Long-term liabilities decreased by almost \$3.2million from last year.
- Cash and investments comprised of \$248million in the City treasury and over \$15 million of restricted cash held by fiscal agents.
- Net capital assets of \$1.1 billion include the City’s entire infrastructure in addition to all other City assets.
- As of June 30, 2019, the governmental funds reported combined fund balances of \$267 million, of which all is available to meet the City’s current and future needs.





## STATEMENT OF NET POSITION

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

	2019	2018
<b>Assets</b>		
Current and other assets	\$ 354,691,485	\$ 353,562,084
Capital assets	1,137,628,916	1,112,912,742
<b>Total Assets</b>	<b>1,492,320,401</b>	<b>1,466,474,826</b>
<b>Deferred Outflow of Resources</b>		
Deferred outflows or resources related to pensions	13,278,752	17,358,264
Deferred outflows or resources related to OPEB	15,388	187,105
	<b>13,294,140</b>	<b>17,545,369</b>
<b>Liabilities</b>		
Current and other liabilities	32,305,525	40,538,973
Long-term liabilities	52,449,430	55,898,046
<b>Total Liabilities</b>	<b>84,754,955</b>	<b>96,437,019</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	1,243,727	2,290,808
Deferred inflows of resources related to OPEB	186,358	192,459
	<b>1,430,085</b>	<b>2,483,267</b>
<b>Net Position</b>		
Net investment in Capital assets <sup>1</sup>	1,111,392,631	1,143,555,186
Restricted net position <sup>2</sup>	279,266,731	280,812,760
Unrestricted net position <sup>3</sup>	28,770,139	(39,268,037)
<b>Total Net Position</b>	<b>\$ 1,419,429,501</b>	<b>\$ 1,385,099,909</b>

<sup>1</sup>Capital Assets less accumulated depreciation and the related debt.

<sup>2</sup>Asset whose use is restricted by statute or law.

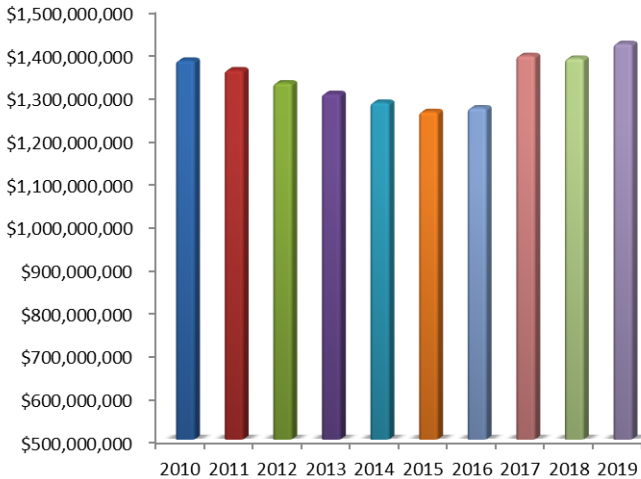
<sup>3</sup> The negative unrestricted net position is due to an increase in investments in capital assets.

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



\*Detailed financial reports can be found in the City's FY 2018-19 CAFR available on the City's website at [http://www.elkgrovecity.org/city\\_hall/departments\\_divisions/finance/accounting/](http://www.elkgrovecity.org/city_hall/departments_divisions/finance/accounting/), City Hall or local public libraries.

## Total Net Position For Last Ten Years



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

## Accomplishments

The City's full service Aquatic Center has been completed with a grand opening on May 25, 2019. The aquatics project includes a combination of pools designed to serve competitive aquatics, instruction, water fitness, and family recreation. Features include a 50-meter pool, fitness and instructional pool, and a recreational pool with a current river and two 30 foot slides. The Commons is an inviting outdoor space that features public art, fire pits and tables, bocce ball court, and a Veterans Grove. It is located between the Aquatics Center and the Community Center on the Civic Center Campus that is now known as District56.

The Community Center includes a Senior Center and Veterans Hall combined with a large main hall. The project will provide separate venues for seniors and veterans to serve their respective programs. The Community Center main hall provides a large assembly space to jointly support senior and veterans' programs as well as community events and private functions. Construction of the Community Center began in March 2018 with completion anticipated in winter of fiscal year 2019-20.

The City is responsible for the provision of all animal services. In the past and including fiscal year 2018-19, the City provided its animal field services through City staff, while animal sheltering services were provided through a contract with Sacramento County. The contract with the County expired on June 30, 2019. Due to ongoing capacity issues at the County shelter, the City chose to construct a 17,000 square foot Animal Shelter on a 2.80-acre undeveloped parcel at the City's Corporation Yard. The Animal Shelter features pet adoption services, spay/neutering clinics, licensing, education, and veterinary care. The new Shelter was fully opened to the public September 28, 2019.

The City made an additional payment of over \$1.9 million to PERS to accelerate funding towards the unfunded liability. The City was able to make this payment because of budget savings during fiscal year 2018-19. This accelerated payment will reduce future required unfunded liability payments.



## STATEMENT OF ACTIVITIES

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

	2019	2018
<i>Revenues:</i>		
<i>Program revenues:</i> <sup>1</sup>		
Fees, fines and charges for services	\$ 44,055,581	\$ 43,240,722
Operating grants and contributions	33,539,279	35,091,925
Capital grants and contributions, debt proceeds	36,757,932	12,679,620
	114,352,792	91,012,267
<i>General Revenues:</i> <sup>2</sup>		
Property taxes	27,809,183	26,536,624
Sales and use taxes	29,355,281	27,320,405
Other taxes	11,756,951	11,580,750
Other revenue	12,988,688	4,085,381
	81,910,103	69,523,160
<b>Total Revenues</b>	<b>196,262,895</b>	<b>160,535,427</b>
<i>Expenses:</i>		
General government	17,075,348	18,317,499
Public safety	41,095,844	38,640,457
Public ways and facilities	81,387,088	71,142,386
Community development	10,325,402	9,714,155
Interest on long-term debt	819,458	565,679
Solid Waste	3,170,889	3,295,078
Transit	11,037,095	10,985,466
Drainage	4,574,416	4,534,163
Revenue Neutrality	7,067,279	7,276,299
	176,552,819	164,471,182
<b>Total Expenses</b>	<b>176,552,819</b>	<b>164,471,182</b>
Change in Net Position	19,710,076	(3,935,755)
Net Position - Beginning	\$ 1,399,719,425	\$ 1,389,035,664
Net Position - Ending	<b>\$ 1,419,429,501</b>	<b>\$ 1,385,099,909</b>

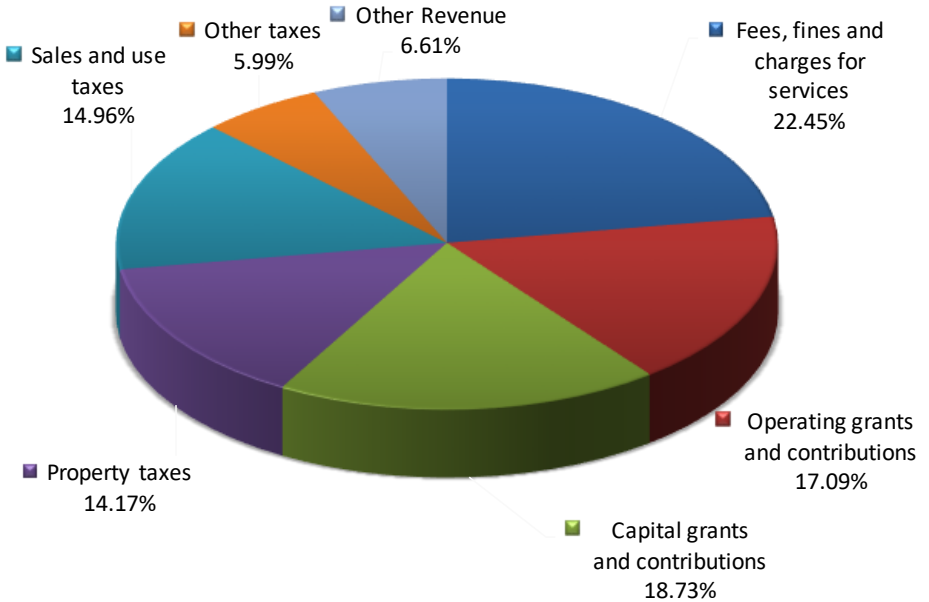
<sup>1</sup>Revenues derived directly from, fees, charges and grants

<sup>2</sup>All revenues that are not related to programs

\*Detailed financial reports can be found in the City's FY 2018-19 CAFR available on the City's web-site at [http://www.elkgrovecity.org/city\\_hall/departments\\_divisions/finance/accounting/](http://www.elkgrovecity.org/city_hall/departments_divisions/finance/accounting/), City Hall or local public libraries.

# Revenues

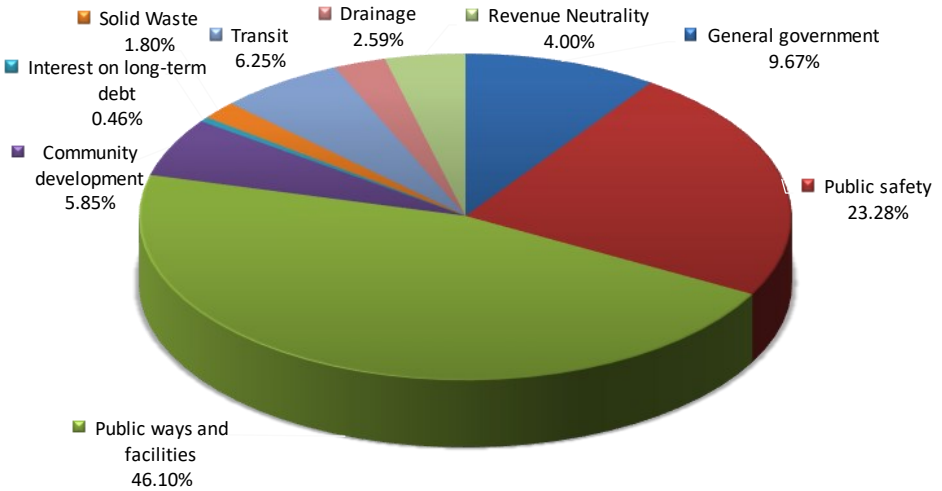
## Where the money comes from...



- Fees, fines and charges for services - payments received directly by the City for services performed. This would include fees such as, development services fees, code enforcement fines, utility payments and business license.
- Operating grants and contributions - monies received from parties outside the City and are generally restricted to one or more specific programs. This category includes revenue types such as Transit funding, street funding like Measure A and assessments, vehicle licensing fees from the State and Police Grants from other governmental agencies for public safety.
- Capital grants and contributions - monies received for capital purposes, to purchase, construct, or renovate capital assets associated with a specific program. This would include items such as Measure A financing for constructing roadways and highway interchanges.
- Property taxes - 5 to 6% of property tax collected by the County and allocated to the City. The City further shares 70% of the property taxes with the County of Sacramento per the Revenue Neutrality agreement implemented at incorporation that decreases to 60% in FY 2019-20. See expense on the following page.
- Sales and use taxes - 1% sales tax collected on retail sales in the City.
- Other taxes - smaller taxes collected by the City such as Utility User Tax and Transient Occupancy Tax.
- Other revenue - interest earned on investments of idle funds and any revenue that does not readily fit into a previously listed category.

# Expenses

## Where the money goes...

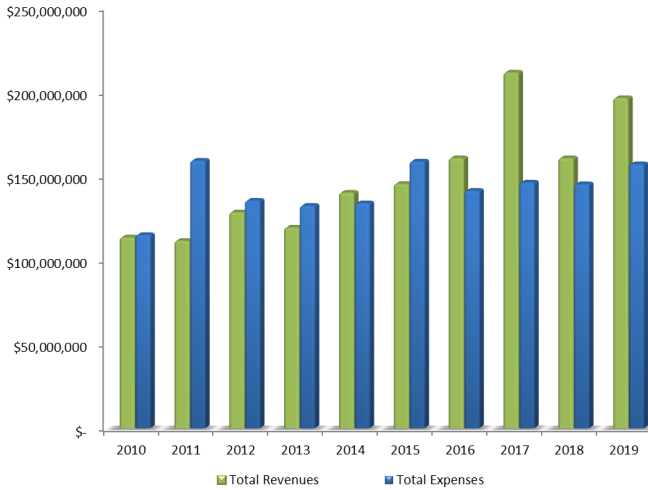


- Public ways and facilities - reflects expenses associated with the repair, construction, acquisition and maintenance of public roads and bicycle overcrossing.
- Public safety - includes all aspects of law enforcement.
- Recycling and Waste - expenses associated with refuse and recycling.
- Transit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

\*Detailed financial reports can be found in the City's FY 2018-19 CAFR available on the City's website at <http://www.elkgrovecity.org/finance/accounting-division/cafr>, City Hall or local public libraries.



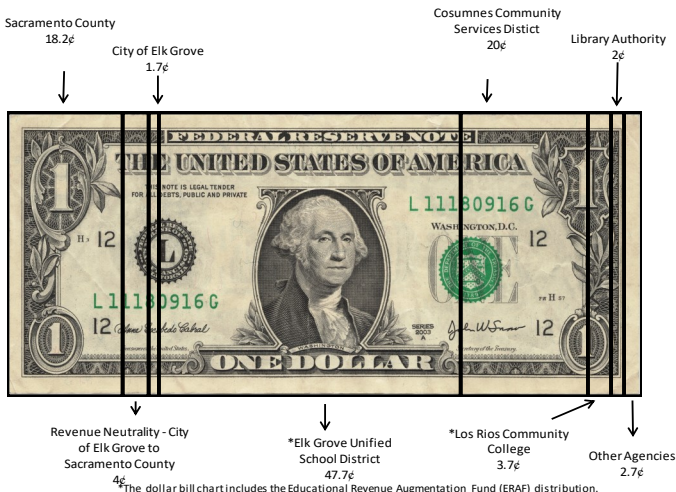
# Total Revenues & Expenses Last Ten Fiscal Years



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

## Where Your Property Tax Dollar Goes...

Revenue Neutrality—Property owners are levied one percent of appraised value for annual property tax payment. Of this payment, an average of 5.7 cents is allocated to the City annually to provide services. At incorporation, the City accepted that a portion of the property taxes generated within the boundary would be retained by the County to hold them revenue neutral. As a result, the City nets only 30% of those funds (1.7 cents of total tax payment) as available for services. This agreement will phase out over time ending in fiscal year 2026.



# City of Elk Grove Facts\*

Population	174,025	Area	42 square miles
Elevation	45 feet	Miles of Streets	553
Miles of Sidewalk	899	Streetlights	13,435
Traffic Signs	23,369	Manholes	9,287
Feet of Pipe	2,144,206	Storm Drain Inlets	16,265

## Averages

Low Temperature	24-44 degrees	Median Age	36 years
High Temperature	80-115 degrees		
Annual Precipitation	22" October to April		

\*Estimates

\*\*Population has increased 1.1% over the previous year. The City is the second largest incorporated city within Sacramento County.

## Current City Council as of December 31, 2019



Steve Ly  
Mayor



Stephanie Ngyuen  
Councilmember



Darren Suen  
Councilmember



Patrick Hume  
Councilmember



Steven Detrick  
Vice Mayor

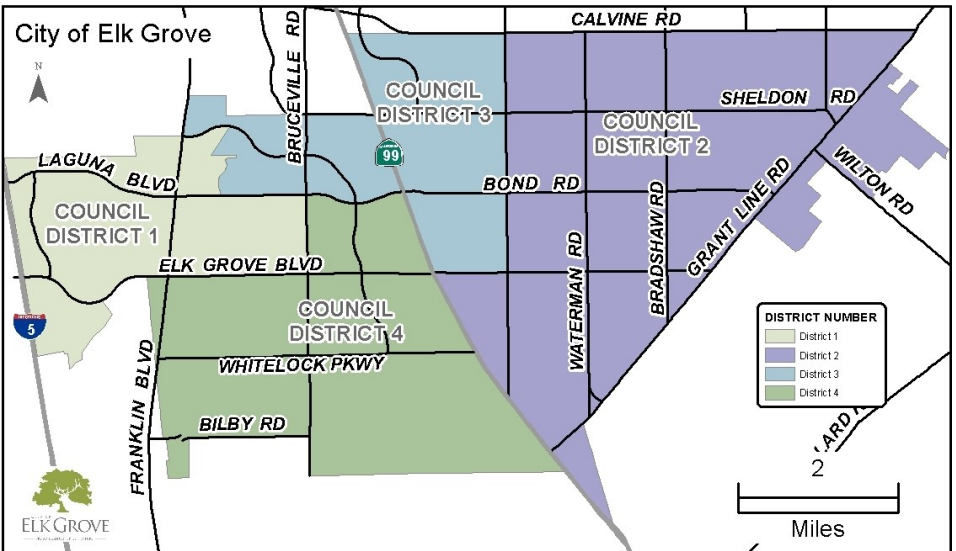
District 4

District 1

District 2

District 3

## City of Elk Grove Council District Map



Visit the City of Elk Grove Website at

<http://www.elkgrovecity.org>

### The City's website includes information about:

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

### Financial Information

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

### Online Services

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



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to  
**City of Elk Grove  
California**

For its Annual  
Financial Report  
for the Fiscal Year Ended

June 30, 2018

*Christopher P. Merrill*  
Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Elk Grove for its Popular Annual Financial Report for the fiscal year ended June 30, 2018. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

# **City of Elk Grove Finance Department**

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(916)683-7111

[www.elkgrovecity.org](http://www.elkgrovecity.org)

