

Vacaville  
Small City. Big Opportunities.



CITY OF VACAVILLE, CALIFORNIA



POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015

PREPARED BY: DEPARTMENT OF ADMINISTRATIVE SERVICES

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## About Our City

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

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

Originally founded as an agricultural and rail shipping area, Vacaville has grown into a thriving and progressive city. It is the home to the largest single-location biotech drug manufacturing complex in the world, Genentech, as well as several other pharmaceutical and biotech companies. ICON Aircraft, a designer of light sport aircrafts, has also relocated its headquarters to the city in 2015. Despite its rapid growth, Vacaville remains a “small town at heart,” whose residents pride themselves on their high level of community involvement.



# 2015

# A Message to Our Readers...

## To the Citizens of the City of Vacaville:

It is our pleasure to present you with the **Popular Annual Financial Report (PAFR)** of the City of Vacaville for the fiscal year ending June 30, 2015. The purpose of the PAFR is to increase awareness throughout the community of the City's finances. The report provides a brief analysis of the City's revenue sources and where those dollars are spent as well as an overview of the City's financial condition. It is our goal that this report is easy to read and understand.

This report contains condensed and simplified financial information from the City's **Comprehensive Annual Financial Report (CAFR)**, which can be viewed at City Hall or on the City's website at [www.cityofvacaville.com](http://www.cityofvacaville.com). The CAFR is a more complete, independently audited financial presentation prepared in accordance with generally accepted accounting principles (GAAP). The City received an unmodified (clean) opinion on its CAFR and we're proud to say that the City's CAFR has been awarded a **Certificate of Achievement for Excellence in Financial Reporting** by the Government Finance Officers Association (GFOA) for each of the past 24 years. Only the financial data for the primary government are included in the PAFR with the main focus being on the City's governmental activities. Except for the data presented in the General Fund Highlights on page 8, the financial numbers are presented using the accrual method of accounting similar to the private sector. Additionally, information is presented in a summarized manner and certain financial statements and note disclosures required by GAAP are omitted.

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



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to  
**City of Vacaville**  
California

For its Annual  
Financial Report  
for the Fiscal Year Ended

June 30, 2014

*Jeffrey R. Blum*  
Executive Director/CEO

# 2015

## Vacaville's Profile

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

### Geography

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

### Government

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

### Demographic and Economic Statistics

Population 94,702  
% Male 52.6%  
% Female 47.4%  
Median Age 36.3  
Median Household Income \$70,847  
High school graduate or higher, Age 25+ 87.9%  
Bachelor's degree or higher, Age 25+ 22.8%

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

### Unemployment Rate

Nation 6.1% (January 2015)  
California 7.3% (January 2015)  
Solano County 6.9% (January 2015)  
Vacaville 5.5% (January 2015)

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

## List of Elected and Appointed Officials

June 30, 2015

### Elected Officials

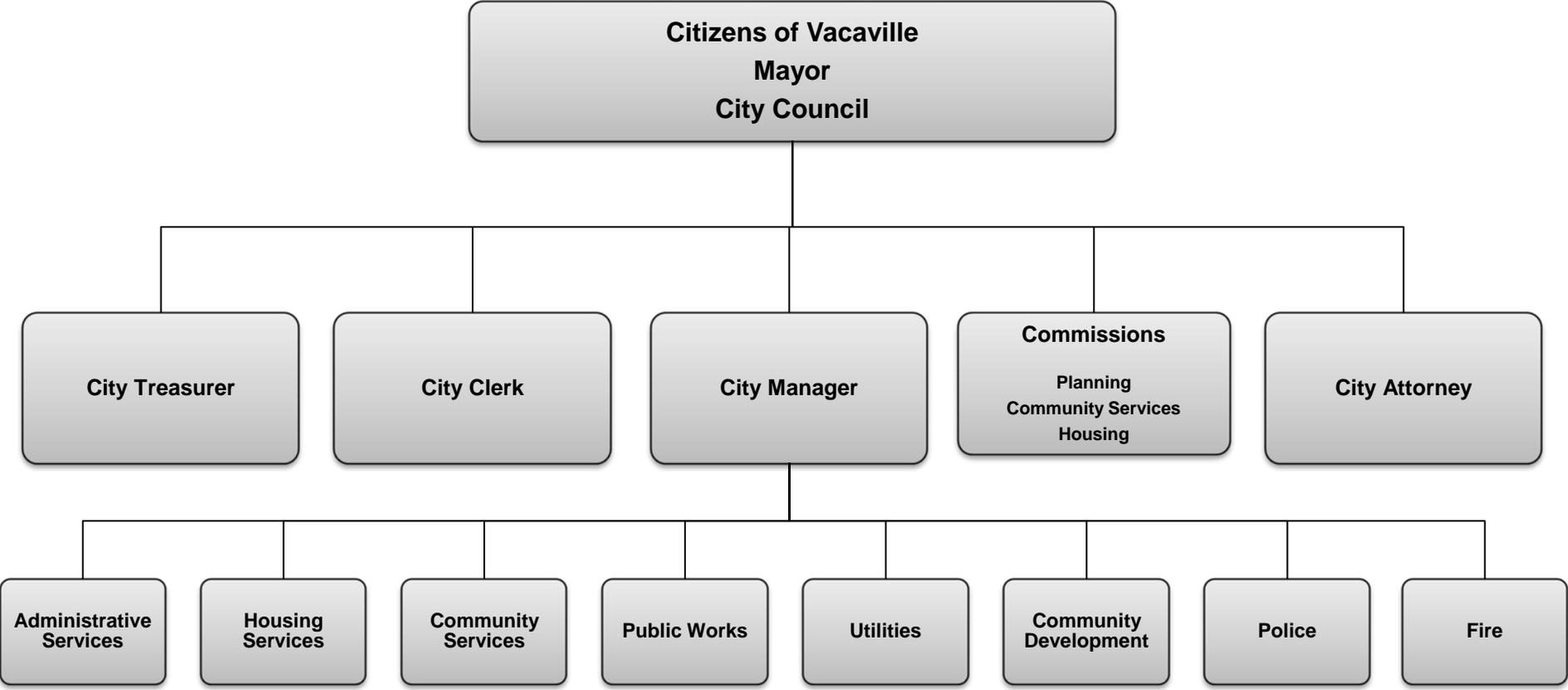
Mayor	Len Augustine
Vice Mayor	Curtis Hunt
Council Member	Ron Rowlett
Council Member	Dilenna Harris
Council Member	Mitch Mashburn
City Treasurer	Jay Yerkes
City Clerk	Michelle Thornbrugh

### Appointed Officials

City Manager	Laura Kuhn
City Attorney	Gerald Hobrecht
Assistant City Manager	Jeremy Craig
Fire Chief	Frank Drayton
Chief of Police	John Carli
Director of Public Works	Steven Hartwig
Director of Community Development	Barton Brierley
Director of Housing	Emily Cantu
Director of Community Services	Kerry Walker
Director of Administrative Services	Dawn Leonardini
Director of Utilities	Royce Cunningham

# 2015

# CITY ORGANIZATION



# 2015



## Where the Money Comes From – Governmental Activities

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

In 2015, revenues from the City's governmental activities totaled \$118,557,367. Almost half of this amount, 49.7%, was from property and sales tax. In total, revenue increased by over \$5.9 million when compared to 2014. Property and sales tax revenue continue to increase due to a rise in assessed property values and an increase in general consumer goods, fuel, and auto sales.

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

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

**Sales and Use taxes** – This is the second largest source of revenue for the governmental funds. Sales and use taxes are imposed on retail transactions and are collected and administered by the state. The City receives 1% of all taxable sales within City limits and a pro-rata share of use taxes which are “pooled” at the state and county level. The total tax rate in Vacaville is 7.875%. Measure M revenues are included in this category.

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

**Gas taxes** – The State of California imposes excise taxes on various transportation fuels. Allocations of this motor vehicle fuel tax can only be used by the City for public street and highway purposes.

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

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

**Operating grants and contributions** – Funding received from other governments and organizations for the purpose of financing the day-to-day costs of a specific program. The City's Housing Choice Voucher Program and first-time homebuyer programs are examples.

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

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

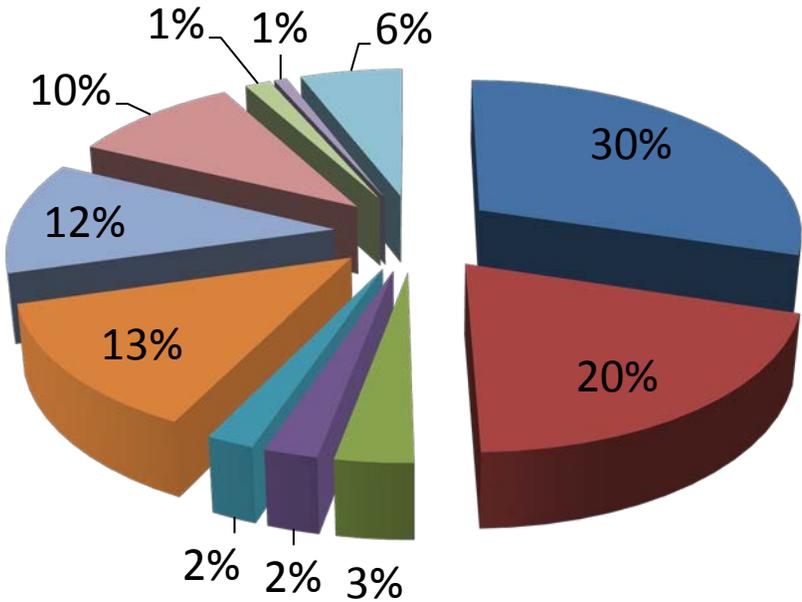
**Investment income** – The City pools its available cash from various funds and invests in instruments allowed by the City's investment policy. Investment earnings are dependent on market conditions and the cash available to invest and earnings are allocated to various funds proportionate to their cash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

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

# WHERE THE MONEY COMES FROM

The following charts and table summarize the revenues of the City’s governmental activities and how current year revenues compare to amounts received in previous years. Like all governments, the City must raise funds to pay for the services it provides to its citizens and businesses. These funds are raised through taxes, charges, and grants. Property taxes and sales and use taxes are the largest revenue sources for the governmental funds. Public infrastructure improvements completed during the year by the developer of the Sterling Chateau Unit 5 subdivision are the main reason for the increase in the Other revenue category.

**2015 Governmental Activities Revenue**  
(full accrual)

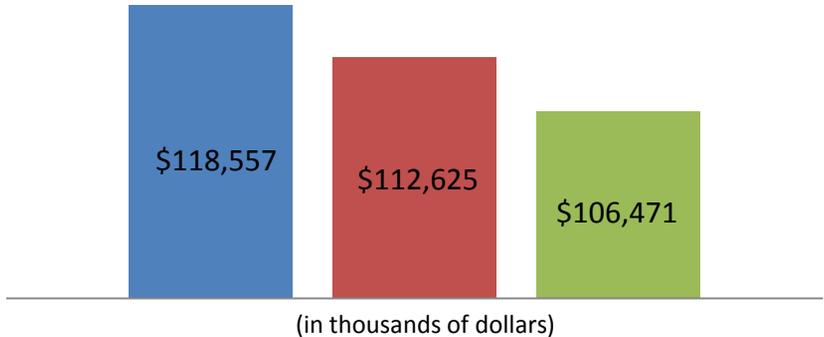


- Property Taxes
- Sales and Use Taxes
- Franchise Taxes
- Gas Taxes
- Excise Taxes
- Charges for Services
- Operating Grants and Contributions
- Capital Grants and Contributions
- Other Taxes
- Investment Income
- Other Revenue

Revenue by type (in thousands of dollars)	2015	2014	2013
Property taxes	\$35,283	\$32,855	\$31,805
Sales and use taxes	23,627	22,215	17,595
Franchise taxes	3,925	3,578	3,471
Gas taxes	2,703	3,050	2,211
Excise taxes	2,407	2,431	2,322
Charges for services	15,634	16,761	14,340
Operating grants	13,817	13,831	14,339
Capital grants	11,561	13,672	5,947
Other taxes	1,737	1,519	1,423
Investment income	875	668	728
Other revenue	6,988	2,045	12,290
<b>Total</b>	<b>\$118,557</b>	<b>\$112,625</b>	<b>\$106,471</b>

**Fiscal Year Comparison**

- 2015
- 2014
- 2013



## Where The Money Goes – Governmental Activities

Now that we've covered how the activities of the governmental funds are supported, let's take a look at the services that are provided with these funds. The City provides a wide range of services, including police and fire protection, street and park maintenance, and recreational and cultural opportunities. Since our focus in this section is on the expenses of the governmental funds, financial information on the City's transportation, sewer and water services have been excluded since they are business-type activities. In 2015, expenses from governmental activities totaled \$121,619,762.

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

**General government** – Expenses are related to the administration of the City's affairs. These expenses include the City Council, City Treasurer, City Manager, City Attorney, Finance and Information Technology, Planning and Building, and Human Resources.

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

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

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

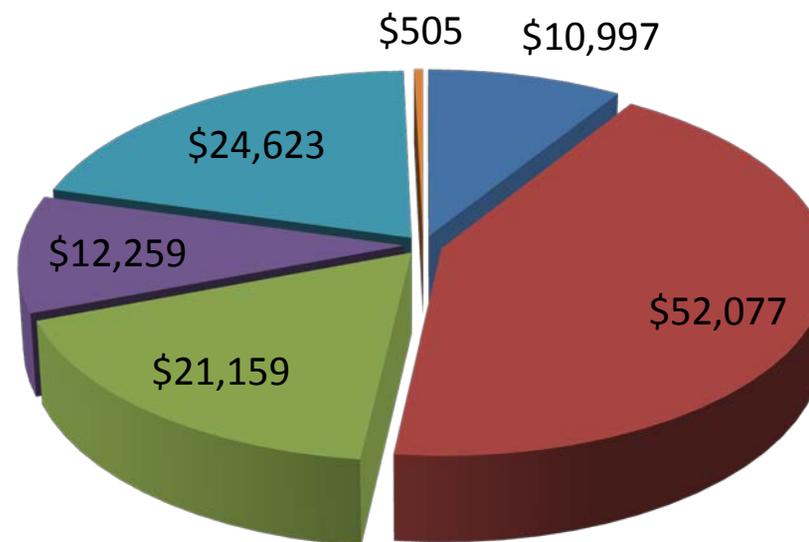
**Housing** – Expenses are related to the City's operation of programs addressing housing needs, neighborhood revitalization, and projects designed to promote economic growth and eliminate blight.

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



### 2015 Governmental Activities Expenses

(full accrual)



(Amounts expressed in thousands of dollars)

2

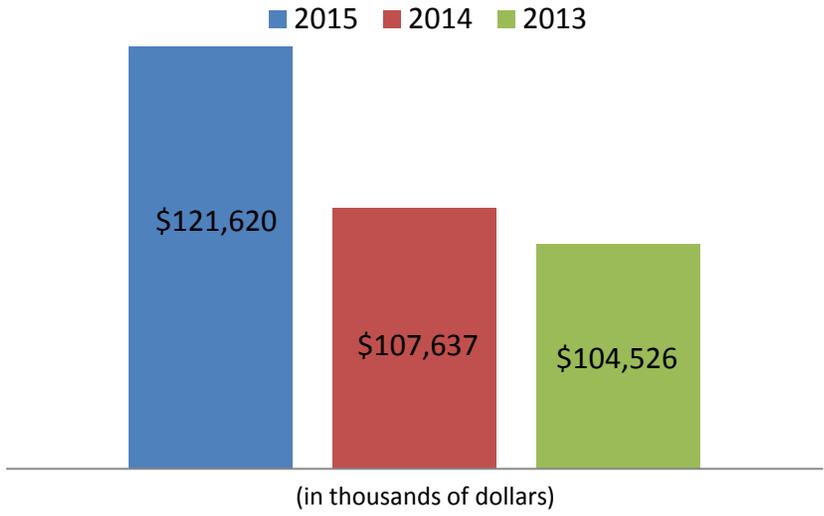
## WHERE THE MONEY GOES

The following table and chart summarize the expenses of the City’s governmental activities for the current fiscal year along with the previous two fiscal years presented for comparison. Expenses increased by approximately \$13.9 million from fiscal year 2014 to 2015. The increase can be mainly attributed to the development of affordable housing on Bennett Hill and Callen. The multiphase project includes the rehabilitation of 64 apartments on Bennett Hill Court/Drive and the construction/rehabilitation of 66 apartments on Callen Street. Rising costs in healthcare and pension continue to cause an increase in expenses as well.

Expense by Type (in thousands of dollars)	2015	2014	2013
General government	\$10,997	\$10,446	\$8,439
Public safety	52,077	49,612	46,731
Public works	21,159	21,135	23,099
Community services	12,259	12,118	11,602
Housing	24,623	13,805	14,424
Interest on long-term debt	505	521	231
<b>Total</b>	<b>\$121,620</b>	<b>\$107,637</b>	<b>\$104,526</b>



Fiscal Year Comparison



2015

## GENERAL FUND FINANCIAL HIGHLIGHTS

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

### FUND BALANCE (Assets – Liabilities)

The chart on the top right illustrates the City's fund balance over the last three years. The total fund balance for the General Fund at the end of fiscal year 2015 was \$22,062,833, an increase of over \$10 million from the previous year and the third consecutive year fund balance has gone up. Since there are limitations on how these resources can be spent, the City's fund balance is categorized as follows:

**Nonspendable** – Amounts that are not in a spendable form or are required to be maintained intact. For 2015, this amount represents a \$3 million loan to be repaid by the successor agency to the City's general fund over the next four fiscal years.

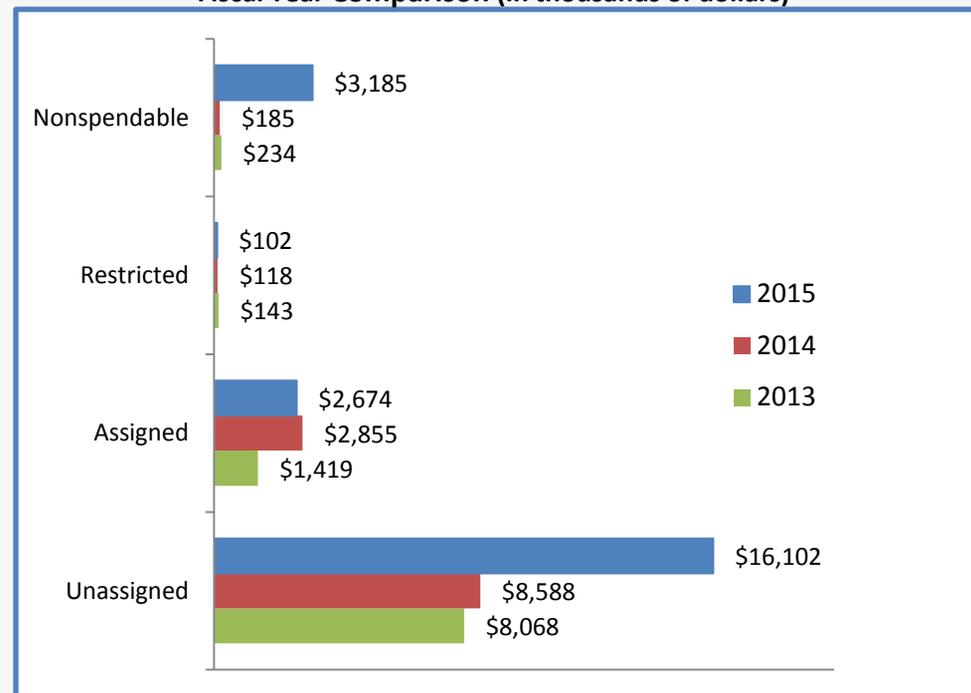
**Restricted** – Resources that are legally restricted by outside parties (grantors, bondholders) or enabling legislation.

**Assigned** – Amounts the City intends to use for a specific purpose. Examples include funding to be used for capital improvement projects and replacement of the City's aging fleet vehicles.

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

The amounts in the **Assigned** and **Unassigned** categories, \$18.8 million at the end of 2015, can be viewed as the City's emergency operating reserve. As a general rule, this reserve should be no less than two months or 17% of regular operating revenues or expenditures. The City's emergency reserve at June 30, 2015 was 27.3% of General Fund expenditures.

Fiscal Year Comparison (in thousands of dollars)



Revenues vs. Expenditures (in thousands of dollars) for Fiscal Year 2015

General fund revenues	\$76,329
General fund expenditures	(68,771)
<b>Excess revenues</b>	<b>7,558</b>
Transfer of public safety district funds and traffic safety fines into the general fund	1,898
Transfer of funds from the general fund for capital improvement projects, building and street development, and park maintenance	(2,207)
Other	16
Nut Tree loan repayment owed to the City's general fund from the successor agency	3052
<b>Net increase in fund balance</b>	<b>\$10,317</b>

## STATEMENT OF NET POSITION

Statement of Net Position (in thousands of dollars)	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
In this section, we will look at a condensed version of the City's Statement of Net Position.						
Current and other assets	\$132,883	\$112,683	\$134,323	\$125,672	\$267,206	\$238,355
Capital assets	415,985	429,264	354,869	348,628	770,854	777,892
<b>TOTAL ASSETS (WHAT WE HAVE)</b>	<b>548,868</b>	<b>541,947</b>	<b>489,192</b>	<b>474,300</b>	<b>1,038,060</b>	<b>1,016,247</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>13,047</b>	<b>-</b>	<b>2,483</b>	<b>-</b>	<b>15,530</b>	<b>-</b>
Current and other liabilities	192,283	55,001	52,315	23,049	244,598	78,050
Loans, bonds, and capital lease obligations	15,719	10,903	149,913	144,299	165,632	155,202
<b>TOTAL LIABILITIES (WHAT WE OWE)</b>	<b>208,002</b>	<b>65,904</b>	<b>202,228</b>	<b>167,348</b>	<b>410,230</b>	<b>233,252</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>18,876</b>	<b>303</b>	<b>3,998</b>	<b>-</b>	<b>22,874</b>	<b>303</b>
<b>NET POSITION:</b>						
Net investment in capital assets	400,267	418,360	205,054	204,329	605,321	622,689
Restricted	59,773	22,122	102	473	59,875	22,595
Unrestricted	(125,003)	35,258	80,293	102,150	(44,710)	137,408
<b>TOTAL NET POSITION</b>	<b>\$335,037</b>	<b>\$475,740</b>	<b>\$285,449</b>	<b>\$306,952</b>	<b>620,486</b>	<b>\$782,692</b>
The Statement of Net Position includes the governmental activities we have looked at and business-type activities – the City's transit and utilities services – to illustrate the overall financial condition of the City. The statement is similar to a balance sheet found in the private sector.						

The City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$620 million at the close of fiscal year 2015, a decrease of about \$162 million from fiscal year 2014. The main reason for the reduction in net position was the implementation of new accounting rules in governmental financial reporting related to public pension plans. This change in reporting, which required governments to report their long-term obligation to provide pension benefits on their financial statements, added a \$165 million liability to the Statement of Net Position in fiscal year 2015.

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

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

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

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

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

**Deferred inflows of resources** – Includes grants received by the City that can not be spent until next fiscal year; all other eligibility requirements of the grants have been met

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

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

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

**Unrestricted** - Resources available to provide services to citizens and meet ongoing obligations to creditors if there were no additional resources or revenue available. The amount is negative due to the reporting of the long-term pension liability in 2015.

## STATEMENT OF ACTIVITIES

The income statement for the City of Vacaville, known as the **Statement of Activities**, illustrates how the City's net position changed during fiscal year 2015. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

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

The City's **business-type activities** (water and sewer operations, City Coach) are designed to recover costs from customers and rely heavily on fees charged to the recipients of the service.

•Capital grants and contributions – Increase due to water and sewer connection fees collected from increased building development (**business-type activities**).

•Extraordinary item – In 2014, the State Controller's Office determined during its audit of the former Vacaville Redevelopment Agency (RDA) that a loan repayment made by the former RDA to the City should be reversed and paid to the successor agency. In 2015, the state approved the amount to be repaid to the City over the next several fiscal years.

•Prior period adjustment – The City recorded an adjustment to report its pension liability.

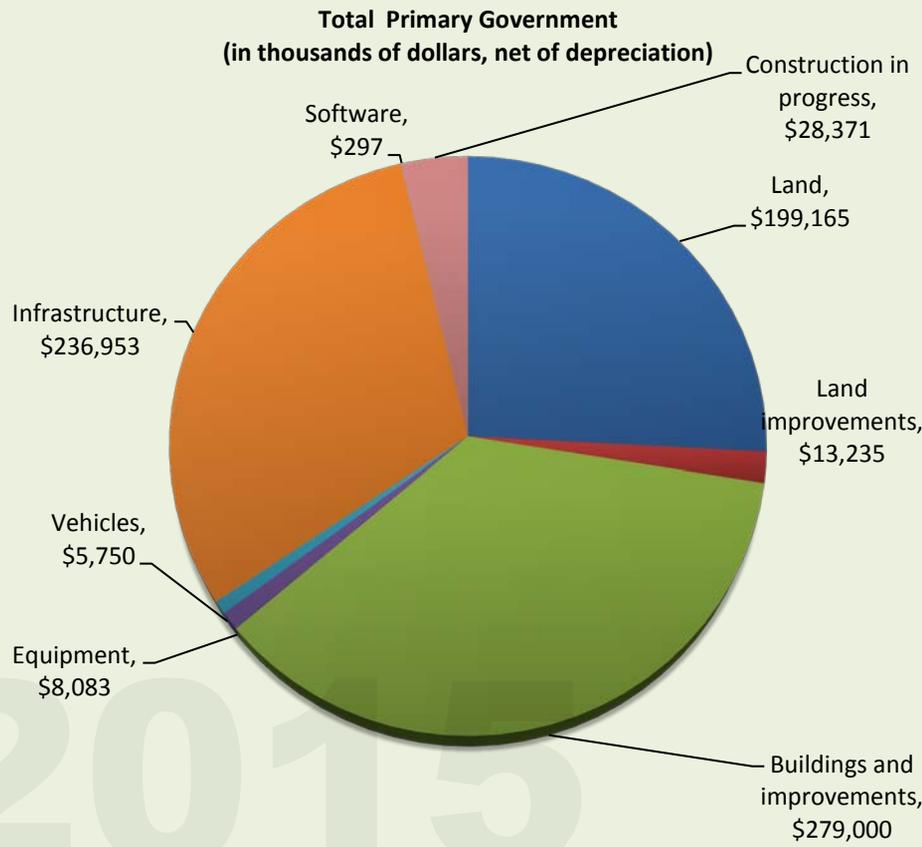


Changes in Net Position (in thousands of dollars)	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for service	\$15,634	\$16,761	\$48,920	\$49,192	\$64,554	\$65,953
Operating grants & contributions	13,817	13,831	1,807	1,865	15,624	15,696
Capital grants & contributions	11,561	13,672	6,978	2,593	18,539	16,265
General revenues:						
Property taxes	35,283	32,855	101	92	35,384	32,947
Sales and use taxes	23,627	22,215	-	-	23,627	22,215
Franchise taxes	3,925	3,578	-	-	3,925	3,578
Other taxes	6,847	7,000	-	-	6,847	7,000
Investment income	875	668	540	202	1,415	870
Other revenue	6,988	2,045	3,160	2,669	10,148	4,714
<b>Total revenues</b>	<b>118,557</b>	<b>112,625</b>	<b>61,506</b>	<b>56,613</b>	<b>180,063</b>	<b>169,238</b>
Expenses						
Governmental activities	121,620	107,637	-	-	121,620	107,637
Business-type activities:						
Sewer	-	-	28,480	26,659	28,480	26,659
Water	-	-	17,747	20,063	17,747	20,063
Transit	-	-	3,548	3,471	3,548	3,471
<b>Total expenses</b>	<b>121,620</b>	<b>107,637</b>	<b>49,775</b>	<b>50,193</b>	<b>171,395</b>	<b>157,830</b>
Transfers	(176)	(75)	176	75	-	-
Change in net position	(3,239)	4,913	11,907	6,495	8,668	11,408
Extraordinary item	3,815	(3,815)	-	-	3,815	(3,815)
Prior period adjustment	(141,279)	-	(33,410)	-	(174,689)	-
Net position – July 1,	475,740	474,642	306,952	300,457	782,692	775,099
<b>Net position – June 30,</b>	<b>335,037</b>	<b>475,740</b>	<b>285,449</b>	<b>306,952</b>	<b>620,486</b>	<b>782,692</b>

**CAPITAL ASSETS – WHAT WE OWN**

As of June 30, 2015, the value of the City’s capital assets was \$771 million, a decrease of about \$6 million from the previous fiscal year. Major events during the fiscal year include:

- Completion of the filtration improvements phase of the Easterly Wastewater Treatment Plant Tertiary Project.
- Relocation and renovation of the fire administration office.
- Completion of energy efficiency upgrades to the City’s existing infrastructure, including replacement of street lights, installation of new HVAC units at the community centers, and installation of a new roof at the Georgie Duke Center.
- Transfer of 18 parcels of land to Callen Street Investors, L.P. for the development of affordable housing.



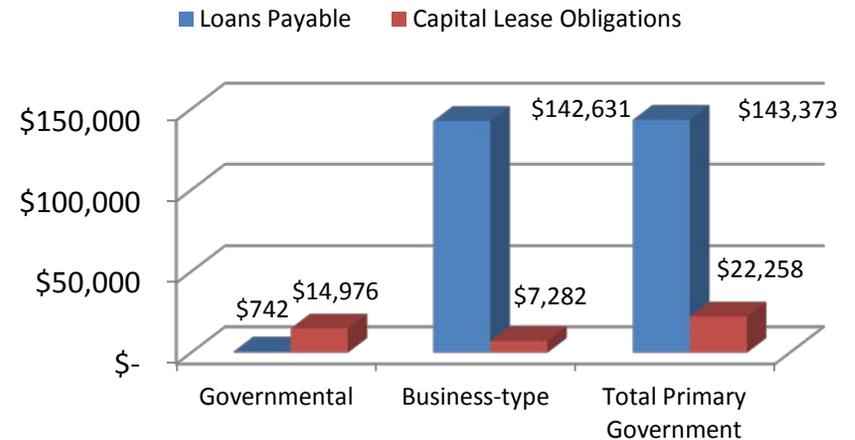
**LONG-TERM DEBT – LOANS PAYABLE AND CAPITAL LEASE OBLIGATIONS – WHAT WE OWE**

At the end of fiscal year 2015, the City had total debt outstanding of \$166 million, an increase of approximately \$11 million or 7% over fiscal year 2014. The increase was due to additional funds drawn from the Clean Water State Revolving Fund program to fund the Easterly Wastewater Treatment Plant Tertiary Project in the business-type activities. In the governmental activities, the increase was due to financing acquired for the construction of Fire Station #75 in the Southtown development.

Debt service payments in fiscal year 2014 were lower than fiscal year 2015 mainly due to the annual loan payment for the EWWTP plant expansion being made in July 2014 instead of at the end of fiscal year 2014. Annual loan payments for the tertiary project also started in fiscal year 2015.

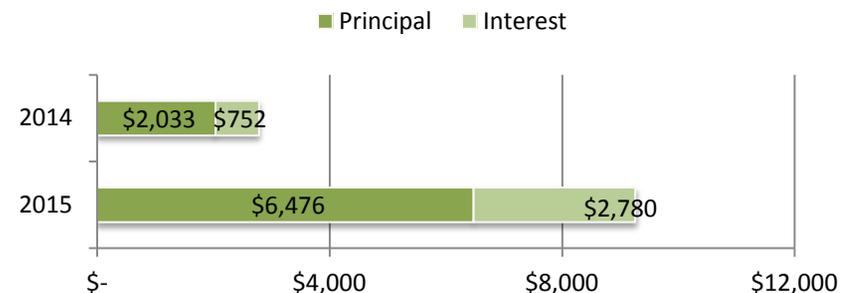
**Long-Term Debt**

(in thousands of dollars)



**Debt Service Payments**

(in thousands of dollars)



**POPULAR ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2015**



**Vacaville**  
Small City. Big Opportunities.

**CITY OF VACAVILLE**  
**DEPARTMENT OF**  
**ADMINISTRATIVE SERVICES**  
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[www.cityofvacaville.com](http://www.cityofvacaville.com)