



SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Finance

**Prepared by: Paul Navazio,
Finance Director**

City Manager Approval: _____

A handwritten signature in blue ink, likely of the City Manager, written over a horizontal line.

TOPIC: YEAR-END AUDITED FINANCIAL STATEMENTS AND RELATED AUDIT REPORTS

SUBJECT: FISCAL YEAR 2022-23 ANNUAL COMPREHENSIVE FINANCIAL REPORT; MEMORANDUM ON INTERNAL CONTROL; REPORT OF REQUIRED COMMUNICATIONS; CHILD DEVELOPMENT PROGRAM FINANCIAL REPORT; AND GANN APPROPRIATIONS LIMIT

RECOMMENDATIONS:

Accept the Fiscal Year 2022-23 Annual Comprehensive Financial Report, Memorandum on Internal Control, Report of Required Communications, Child Development Program Financial Report, and GANN Appropriations Limit Report.

BACKGROUND:

As required by local code, State law, and bond covenants, as well as best practices, the City of San Rafael completes an annual independent audit of its financial activities. The auditing firm of Maze and Associates, Accountancy Corporation, conducted the FY 2022-23 audit. Their work was completed in accordance with generally accepted auditing standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, Audits of State and Local Government and Non-Profit Organizations. The draft Comprehensive Annual Financial Report for the fiscal year ending June 30, 2023FY 2022-23 is included as Attachment 1 to this staff report.

The auditors have also prepared a Memorandum on Internal Control to address the City's control over its financial activities. In addition, the requirements of Section 1.5 of Article XIII B of the California Constitution are met with an agreed-upon procedure report applied to the Gann Appropriation Limit calculated for the year ending June 30, 2024. These reports are included as Attachments 2-5 to this staff report.

As part of the fiscal year-end activities, the Finance and Library & Recreation departments worked with the auditors to complete the annual audit of the City's childcare program, as required by the State of California.

For the year ending June 30, 2023, the City did not receive funds under the purview of the Transportation Development Act. Therefore, no separate audit report was completed to satisfy the requirements of the State of California pertaining to these funds.

FOR CITY CLERK ONLY

Council Meeting:

Disposition:

ANALYSIS:**Fiscal Year 2022-23 Annual Comprehensive Financial Report – City-wide Financial Results**

The independent auditor has issued an unqualified opinion relative to the City's financial statements for the fiscal year ending June 30, 2023. This opinion states that the financial statements present fairly, in all material respects, the City's financial position. The audited results of the City's financial activities for the fiscal year ending June 30, 2023, are presented in the attached Annual Comprehensive Financial Report (ACFR). Please refer to Attachment 1 for more information.

The report includes Government-wide financial statements with governmental and business-type activities presented separately. At the end of the fiscal year, the net position of the City's governmental activities, inclusive of all governmental funds, all assets of the City (including infrastructure), and all liabilities (including long-term debt) was \$281.5 million, an increase of \$47.3 million from the prior year adjusted balance.

Summary of Net Position
(in thous ands)

	Governmental Activities		Increase	Business-Type Activities		Increase
	2023	2022	(Decrease)	2023	2022	(Decrease)
Current and other assets	\$135,941	\$174,072	(\$38,131)	\$1,745	\$3,568	(\$1,823)
Capital assets	311,664	294,928	16,736	15,162	15,281	(119)
Total assets	447,605	469,000	(21,395)	16,907	18,849	(1,942)
Deferred outflows (Notes 9 and 11)	73,312	42,534	30,778	1,312	1,864	(552)
Current and other liabilities	18,677	19,246	(569)	503	533	(30)
Noncurrent liabilities	192,517	88,630	103,887	6,942	4,086	2,856
Total liabilities	211,194	107,876	103,318	7,445	4,619	2,826
Deferred inflows (Notes 4G, 9 and 11)	28,213	169,434	(141,221)	772	5,475	(4,703)
Net Position:						
Net investment in capital assets	259,204	246,438	12,766	11,454	11,256	198
Restricted	46,773	36,668	10,105		0	0
Unrestricted	(24,466)	(48,883)	24,417	(653)	(1,189)	536
Total net position	\$281,511	\$234,223	\$47,288	\$10,801	\$10,067	\$734

This increase is attributable to several factors. First, Pension and Other Post-Employment Benefits (OPEB) adjustments, based mainly on fiscal year 2021-22 activity, and the impact of market gains achieved on investments during the measurement period. These adjustments resulted in a reduced cumulative impact of both pension and OPEB liabilities on the financial statements as a whole.

Also significantly impacting the increase was the capitalization of large-scale public works projects, namely the Third Street improvement project, during the year. This has the impact of both increasing capital assets in the asset section of the balance sheet as well as the net investment in capital assets in the net position section. To a lesser extent, the net position was impacted by positive results from strong sales and use tax and property tax rolls combined with

reduced personnel expenses resulting from position vacancies. The Parking Fund reported as a business-type activity, ended the fiscal year with a net position of \$10.8 million, or \$0.7 million greater than the previous fiscal year. The increase was mainly due to the aforementioned pension and OPEB adjustments as operational results remain subdued from the lingering impacts of the COVID-19 pandemic.

Additional explanatory information is provided in the Management's Discussion and Analysis (MD&A) section beginning on page five of the attached ACFR. The MD&A provides key highlights and a summary view of financial activities for the year.

Financial Results: General Fund

General Fund expenditures and transfers out exceeded revenues and transfers by \$6.0 million, mainly due to the utilization of American Rescue Plan Act funds received in the prior year for major projects. This was partially offset by continued growth in the City's major revenue sources and significantly reduced personnel costs resulting from position vacancies.

**Summary of General Fund Budget and Actual
For the fiscal year ended June 30, 2023 (in thousands)**

	Adopted Budget	Revised Budget	Actual
Revenues	\$96,768	\$98,268	\$98,099
Transfers in	1,770	1,131	1,131
Total resources	98,538	99,399	99,230
Expenditures	92,971	\$94,447	88,450
Operating transfers out	3,307	13,486	13,486
Capital transfers out	-	3,307	3,307
Total uses	96,278	111,240	105,243
Net Results	\$2,260	(\$11,841)	(\$6,013)

The fund balance of the General Fund as of June 30, 2023, was \$27.8 million (a decrease of \$6.0 million from the prior year's balance): \$78 thousand is non-spendable, \$9.8 million is committed, \$17.3 million is assigned, and \$0.7 million is unassigned. The committed portion of \$9.8 million is for emergency and cash flow needs, which meets the minimum target reserve levels at 10% of general fund operating expenditures.

Memorandum on Internal Control

As a component of the annual financial audit, the auditors are required to communicate matters related to internal controls that may impact the accuracy of the City's financial statements to the City Council. The auditor's *Memorandum on Internal Control* (Attachment 2) identifies findings deemed to be either material weaknesses, significant deficiencies, or "other matters."

The Memorandum on Internal Control issued with the audit of the financial statements for the fiscal year ended June 30, 2023, does not identify any material weaknesses or significant deficiencies. However, the memorandum notes that two "Other Matters" that were identified in the prior year's audit were not addressed by management as of June 30, 2023, and are summarized as follows:

- Finding 2022-01 – Inaccurate Building Permit Fees. Over the course of the two prior fiscal years, the auditors noted that the rates charged within the City's permit billing system

did not match the rates published in the City's Master Fee Schedule. Management had noted that the permit fees being charged were correct and that this matter stemmed from the City not having updated its formal Master Fee Schedule. While this issue remained "unresolved" as of June 30, 2023, management notes that the City Council took action to adopt the City's updated Master Fee schedule at their meeting on July 3, 2023. This matter is thus resolved.

- Finding 2022-2 – Purchasing Policy Compliance and Clarification of Requirements. This finding resulted in a recommendation from the independent auditor that the City review and update its Purchasing Policy to clarify requirements for the use of purchase orders and contracts and review internal controls to ensure practices comply with the City's policy. In their Memorandum of Internal Controls, the auditor notes that this matter has not yet been fully addressed by management.

Management's response (included in the Memorandum of Internal Control):

Management concurs with the need to update the City's Purchasing Policy and procedures to ensure an appropriate level of internal controls, compliance with policy requirements, and alignment with best practices. This effort has been hampered by staff turnover, vacancies in key positions, and competing priorities. Current management has prioritized the review of purchasing and contract administration protocols, including updating policies, documentation of procedures, staff training, and better utilization of the City's financial ERP system to monitor approvals, activity, and compliance.

Required Communications

Professional standards require that certain information regarding significant audit findings related to the audit be communicated to those charged with governance. These communications include minor changes to accounting policies, new accounting pronouncements, and a discussion of significant accounting estimates, among other items. No adverse communications were noted. Please refer to Attachment 3 for more information.

Child Development Program (Childcare) Financial Report

As a recipient of Childcare program grant funds from the California Department of Education, the City is required to engage the independent auditor to review report on the receipt and use of these funds as part of the annual financial audit. The Childcare Program has endured three consecutive years of subdued results following the COVID-19 pandemic, drawing the fund balance from \$1.7 million down to \$352 thousand on June 30, 2022. In FY 2022-23, results have turned positive with a \$259 thousand increase in fund balance stemming from increased program enrollment and grant augmentations. The program ended the year with \$3.9 million in total revenues and \$3.7 million in total expenditures, resulting in an ending fund balance of \$611 thousand. The audit resulted in no adverse findings. Please refer to Attachment 4 for more information.

Gann Appropriations Limit Compliance Report

This report is prepared by the City's independent auditor to validate the calculation of the annual adjustment to the City's annual appropriations limit, pursuant to Article XIII B of the State Constitution. The resultant, so called, Gann Limit, establishes the maximum amount of adjusted appropriations that may be included in the annual budget. The Agreed-Upon Procedures report for the Gann Appropriations Limit (Attachment 5) required three procedures to be performed, including testing the accuracy of the calculations and comparison of information presented.

FISCAL IMPACT:

SAN RAFAEL CITY COUNCIL AGENDA REPORT / Page: 5

No fiscal impact occurs by the City Council's acceptance of these reports. The fiscal year 2022-23 Annual Comprehensive Financial Report and related reports are presented as the actual results of the City and related entities' financial activities for the year.

RECOMMENDED ACTION:

Accept the Fiscal Year 2022-23 Annual Financial Report, Memorandum on Internal Control, Report of Required Communications, Child Development Program Financial Report, and GANN Appropriations Limit Report.

ATTACHMENTS:

1. FY 2022-23 Draft Annual Comprehensive Financial Report
2. FY 2022-23 Draft Memorandum of Internal Controls
3. FY 2022-23 Draft Required Communications
4. FY 2022-23 Draft Child Development Program Financial Report
5. FY 2022-23 Draft Gann Appropriations Limit Compliance Report



SAN RAFAEL
THE CITY WITH A MISSION

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2023



UC Marin Master Gardener Greenhouse, San Rafael, California

10/30/2023



10/30/2023

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2023

City of San Rafael, California
1400 Fifth Avenue
San Rafael, California 94901

Prepared by the Finance Department of the City of San Rafael

10/30/2023



10/30/2023



Falkirk Cultural Center, San Rafael

INTRODUCTORY SECTION

10/30/2023



10/30/2023

CITY OF SAN RAFAEL, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2023

Table of Contents

INTRODUCTORY SECTION

TABLE OF CONTENTS

Letter of Transmittal	v
Mission Statement and Vision Statement	xii
City Council and Staff	xiii
Organizational Chart.....	xiv
Location Map.....	xv
Certificate of Achievement for Excellence in Financial Reporting	xvi

FINANCIAL SECTION

Independent Auditor's Report	1
---	---

Management's Discussion and Analysis	5
---	---

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	23
Statement of Activities.....	24

Fund Financial Statements:

Major Governmental Funds:

Balance Sheet	28
Balance Sheet – Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities	29
Statement of Revenues, Expenditures, and Changes in Fund Balances	30
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities	31

Proprietary Funds:

Statement of Net Position.....	34
Statement of Revenues, Expenses, and Changes in Fund Net Position	35
Statement of Cash Flows.....	36

10/30/2023

CITY OF SAN RAFAEL, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2023

Table of Contents

FINANCIAL SECTION (Continued)

Fiduciary Funds:

Statement of Fiduciary Net Position	38
Statement of Changes in Fiduciary Net Position.....	39

Notes to Basic Financial Statements	41
--	-----------

Required Supplementary Information:

Schedule of the City’s Proportionate Share of the Net Pension Liability.....	97
Schedule of Contributions – Defined Benefit Pension Plan	98
Schedule of Changes in Net OPEB Liability and Related Ratios	107
Schedule of Contributions – OPEB	108
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis	
General Fund	117
Traffic and Housing Mitigation Special Revenue Fund	118
Gas Tax Special Revenue Fund.....	119

Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis	
Essential Facilities Capital Projects Fund.....	121

Non-major Governmental Funds:

Combining Balance Sheets	124
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance.....	128
Budgeted Non-major Governmental Funds: Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	132

10/30/2023

CITY OF SAN RAFAEL, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2023

Table of Contents

FINANCIAL SECTION (Continued)

Internal Service Funds:

Combining Statements of Net Position.....	142
Combining Statements of Revenues, Expenses and Changes in Fund Net Position.....	144
Combining Statements of Cash Flows	146

STATISTICAL SECTION

Financial Trends:

Net Position by Component – Last Ten Fiscal Years	152
Changes in Net Position – Last Ten Fiscal Years.....	154
Fund Balances of Governmental Funds – Last Ten Fiscal Years	158
Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years.....	160

Revenue Capacity:

Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	162
Property Tax Rates – All Overlapping Governments – Last Ten Fiscal Years	163
Property Tax Rates – Direct & Overlapping Governments – Last Ten Fiscal Years (Rate Per \$100 of Assessed Value).....	164
Principal Property Tax Payers – Current Year and Nine Years Ago.....	165
Property Tax Levies and Collections – Last Ten Fiscal Years	166

Debt Capacity:

Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	167
Computation of Direct and Overlapping Debt.....	168
Computation of Legal Bonded Debt Margin	169
Revenue Bond Coverage Parking Facility – Last Ten Fiscal Years	170

10/30/2023

CITY OF SAN RAFAEL, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended June 30, 2023

Table of Contents

STATISTICAL SECTION (Continued)
--

Demographic and Economic Information:

Demographic and Economic Statistics – Last Ten Calendar Years.....	171
Principal Employers – Last Ten Calendar Years.....	172

Operating Information:

Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years.....	175
Operating Indicators by Function/Program – Last Ten Fiscal Years.....	176
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....	178

10/30/2023



November XX, 2023

Honorable Mayor, Members of the City Council and Residents of San Rafael:

The Annual Comprehensive Financial Report (“Annual Report”) of the City of San Rafael (“City”) for the year ended June 30, 2023, is hereby submitted as required by local ordinances, state statutes and bond covenants. This financial report has been prepared in conformance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and includes the report of the independent certified public accounting firm, Maze and Associates Accountancy Corporation, which has issued an unmodified, or “clean” opinion on the City’s financial statements for the fiscal year ended June 30, 2023.

The independent audit of the financial statements is part of a broader, federally mandated examination known as a “Single Audit”, which is designed to meet the needs of federal grantor agencies. The standards governing Single Audits require the independent auditor to report on the audited agency’s internal controls and compliance with legal requirements, with special emphasis on such controls and requirements involving the administration of federal funding. These reports will be available in the City’s separately issued Single Audit Report.

City Management is responsible for both the data accuracy, and the completeness and fairness of the presentation of this report. To the best of our knowledge and belief, the data presented is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City. Further, the Annual Report is prepared in accordance with procedures and policies set by the Government Finance Officers Association. The analysis of the financial condition and the result of operations can be found in the financial section of the Management’s Discussion and Analysis document. The Annual Report is organized into three sections:

1. Introductory section, which is unaudited, includes this letter of transmittal, an organizational chart, and a list of the City’s elected and appointed officials.
2. Financial section, includes the basic financial statements, related footnote disclosures, and the combining and individual fund financial statements and schedules, as well as the independent auditors' report.
3. Statistical section, which is unaudited, includes selected financial and demographic information, presented on a multi-year basis. Generally, ten-year data is presented for expenditures, revenues, assessed valuation for local properties and construction activity.



REPORTING ENTITY – PROFILE OF THE GOVERNMENT

The City of San Rafael is located 17 miles north of San Francisco in Marin County. Protected by its Mediterranean like setting along the shores of the San Francisco Bay, the City enjoys a mild climate year-round. As the County seat, San Rafael is considered the commercial, financial, cultural and civic hub of Marin County. Abundant recreational facilities are available in and around the City. The City's park and recreational resources include 24 city parks, 393 acres of developed parkland, city and county open space, and China Camp State Park. San Rafael is close to other attractions, including the Golden Gate Bridge, Muir Woods, Point Reyes National Seashore, Mount Tamalpais, multiple state parks, San Francisco, Oakland and the Sonoma and Napa wine country.

In 1874, the City became the first incorporated city in the county, later becoming a charter city in 1913 by vote of City residents. The City Council comprises five members; four are elected to four-year terms while the mayor is elected separately to a four-year term. The City's land area is 22 square miles, including seventeen square miles of land and 5 of water and tidelands. San Rafael's population on January 1, 2023, was 59,681.

Downtown San Rafael is the location of many community events, including Second Friday Art Walks, Mill Valley Film Festival, West End Block Party, Thursday Night Farmer's Market, Porchfest, and is one of only 14 designated Cultural Arts Districts in the State of California. San Rafael is also the heart of the County's cultural activities with venues such as the Marin Center, which presents numerous ballets, concerts, speaking engagements as well as the award-winning Marin County Fair; the Falkirk Cultural Center, providing art exhibits and children's programming; the Christopher B. Smith Film Center, and a host of other diverse dining and entertainment venues.

The City provides a full range of municipal services required by statute or charter, namely: police and fire protection, construction and maintenance of streets, parks, storm drains and other infrastructure, recreation, childcare, permits, planning, code enforcement, and a library system serving three locations. The City performed certain infrastructure construction and economic development activities through a separate Redevelopment Agency until its dissolution on February 1, 2012. The City of San Rafael accepted the role of Successor Agency to the Redevelopment Agency per Council action on January 3, 2012, and now conducts its economic development activities with funding from its General Fund.

The City and California Municipal Finance Authority compose the San Rafael Joint Powers Financing Authority, originally established by the City and former Redevelopment Agency for the purpose of financing redevelopment and other projects. The San Rafael Sanitation District is a discretely presented component unit of the City and is presented independent of City financial information. For a further explanation of these entities, refer to Note 1 – Summary of Significant Accounting Policies in the Financial Section of the Annual Report.



The City participates in various organizations through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these agencies exercise full powers and authorities within the scope of the related Joint Powers Agreement including the preparation of annual budgets, accountability for all funds, and the power to make and execute contracts. Obligations and liabilities of the separate entities are not those of the City. For a further explanation of these separate entities, refer to Note 12 – Jointly Governed Organizations in the Annual Report.

Building from over a decade of community efforts to address San Rafael's aging essential public safety facilities, the Essential Facilities project continued during the year with phase II addressing which includes the modernization of Fire Stations 54 and 55.

Significantly, during the 2022-23 fiscal year, the City Council adopted a set of two-year Goals, Objectives, and Strategic Priorities that include:

- Economic Growth
- Sustainability, Climate Change, and Disaster Preparedness
- Diversity, Equity, Inclusion, and Belonging
- Housing and Homelessness

The programs, projects, and initiatives supporting these strategic goals will inform ongoing investment of city resources in the near term.

ECONOMIC FACTORS

The City has a diversified economic base, which includes an assortment of high-tech, financial, service-based, entertainment and industrial businesses. Downtown San Rafael provides a mix of restaurants, retail shops and financial institutions. The City's varied economic base is reflected in its property tax base, which is 71% residential, 19% commercial, 2% industrial, and 8% unsecured and others. The top 25 sales tax producers provide about half of overall sales tax revenues.

The overall economy continues to navigate the impacts of the COVID 19 pandemic and, as of this writing, faces uncertainty of a looming recession. Inflation remains elevated but has eased from the highs of the last two years, and strong employment figures continue to justify further economic tightening. Economists are predicting pandemic fueled savings to begin running out through the latter half of the calendar year and a possible mild recession to follow.



Locally, Marin County is showing signs of slowing economic activity, however, remains at an elevated post-pandemic level. Unemployment remains low at 3.4%, below the latest state-wide rate of 4.6%, however the labor force has contracted by about 5% from pre-pandemic levels. In all, Marin County is still poised to weather the current period of economic tightening to return to growth in the medium term. Specifically, the San Rafael office market continues to see increased vacancies given the work-from-home policies by employers and reduced office footprints. This issue is not unique to San Rafael but impacts the entire commercial real estate office market. Depending on larger economic factors this could provide an opportunity for building redevelopment or re-use.

Economic Data

The following is a sample of economic attributes that make San Rafael an exceptional place to live and work.

- Economic development organizations in San Rafael include the San Rafael Chamber of Commerce, Hispanic Chamber of Commerce, Downtown Business Improvement District, and the Marin Economic Forum.
- Marin County's top employers include Kaiser Permanente, the City of San Rafael, Marin Independent Journal, Marin County Sheriff's Dept, YMCA San Francisco, Managed Health Network, Wells Fargo, Community Action Marin, and BioMarin.
- Major shopping areas, as measured in available retail square footage, include the Downtown corridor (938,000 aggregate), Northgate Mall (725,000), Montecito Center (130,000) and Northgate One (113,900).
- The top three sales tax categories during the fiscal year ended June 30, 2023, for San Rafael were: 1. Autos and Transportation (27%), 2. State and County Pools, which mainly reflects ecommerce activity (24%), and 3. Building and Construction (19%).
- Several hotels and motels support tourism activity, led by a combined 471 rooms in the Embassy Suites and Four Points Sheraton. Citywide, the total number of hotel rooms is 927. The Four Points Sheraton was recently sold for \$38 million and is slated for a significant rebranding and upgrade. In addition, a downtown AC Marriot recently opened its doors providing 140-rooms and a roof-top bar/lounge. Lastly, a 185-room dual branded Hampton Suites/H2 hotel has started grading construction activities.
- Establishing and maintaining affordable residential housing for sale and lease continues to be a challenge both in San Rafael and throughout Marin County. The median rent for an apartment in San Rafael is \$3,187. The median home value in San Rafael is \$1,341,284.



Recent growth and economic vibrancy:

- As mentioned above, the City is enjoying a boost in development of hotel rooms thanks to a new AC Marriott Hotel located in the heart of our Downtown. A dual-brand Hampton Inn/H2 Hotel is also coming soon in the East San Rafael neighborhood to serve a variety of large retailers and businesses as well as workers within the traditionally industrial area. These two hotels combined will add 325 new hotel rooms to the City and generate additional Transit Occupancy Tax (TOT).
- The City has recently entitled a major housing project at 1515 Fourth Street for 162 residential units and 8,900 sq. ft. of retail anchoring the western portion of the downtown. The development represents a catalytic investment into the downtown utilizing the City's recently adopted Downtown Precise Plan and State of California housing density bonuses.
- The City is processing a large project entitlement for redevelopment of the Northgate Mall. The proposed project would bring 1422 new housing units anchored by an IMAX movie theater, restaurants, and boost existing retail anchors.
- The City has adopted its first ever citywide Economic Development Strategic Plan in early 2023. the plan includes detailed actionable tasks that provide measurable benefits and value driving enhanced economic vitality.
- San Rafael continues to serve our local business and restaurant community by implementing a structured formal outdoor dining program called the Streetary Program, which replaced the temporary emergency outdoor dining program that greatly supported our businesses during the COVID-19 pandemic. In coordination with the Business Improvement District, the City has also reimagedined the 'Dining Under the Lights' event into a tailored, post-COVID program including block parties and entertainment that draws foot traffic to our downtown and welcomed back the Thursday Night Farmer's Market which did not operate in 2022



FINANCIAL INFORMATION

The City's management is responsible for establishing and maintaining internal controls to ensure that the City's assets are adequately protected from loss, theft or misuse. In addition, management controls ensure that proper accounting data is collected so as to prepare reports in conformance with generally accepted accounting principles.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. All internal control evaluations occur within the above framework. It is management's belief that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

The City develops a budget based upon City Council priorities and department objectives. The Finance Department maintains a traditional line-item budget by major function. Budget control is accomplished at the functional or division level within each fund. This budget creates a comprehensive management and fiscal system aimed at achieving the objectives of each operating level consistent with those that have been set for the community by the City Council. Each department director is responsible for accomplishing goals within his or her functional area and monitoring the use of her or his budget allocations consistent with policies set by the City Council and monitored by the City Manager.



ACKNOWLEDGMENTS

The preparation of this City-wide document would not have been possible without the assistance of each of the City's departments. In addition, Finance support staff Kate Llamas, Whitney Zimmerman, Rayanne Lulay, Damien Oyobio, Claire Coleman, and Finance Manager Shawn Plate, with oversight by Accounting Manager Van Bach and Finance Director Paul Navazio were key to the timely issuance of this report.

We believe this document meets the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting requirements and will be submitting it to the GFOA to determine its eligibility. If accepted, this will mark the twelfth consecutive year for which the City received the award.

Lastly, we appreciate the ongoing leadership and support from the Mayor and City Councilmembers. Their strong commitment to financial accountability and stewardship provide inspiration to the organization and motivate a high level of achievement.

Respectfully submitted,

Cristine Alilovich
City Manager

Paul Navazio
Finance Director



SAN RAFAEL
THE CITY WITH A MISSION

MISSION STATEMENT

The Mission of the City of San Rafael is to enhance the quality of life and to provide for a safe, healthy, prosperous and livable environment in partnership with the community.

VISION STATEMENT

Our vision for San Rafael is to be a vibrant economic and cultural center reflective of our diversity, with unique and distinct neighborhoods in a beautiful natural environment, sustained by active and informed residents and a responsible innovative local government.

January 1996



SAN RAFAEL
THE CITY WITH A MISSION

City Council and Staff

City Council

Kate Colin, Mayor
Maika Llorens Gulati, Vice Mayor
Maribeth Bushey, Councilmember
Eli Hill, Councilmember
Rachel Kerz, Councilmember

Elected Officials

Rob Epstein, City Attorney
Lindsay Lara, City Clerk

Executive Team

Cristine Alilovich, City Manager
David Spiller, Chief of Police
Darin White, Fire Chief
April Miller, Public Works Director
Alicia Giudice, Community Development Director
Catherine Quffa, Library & Recreation Director
Sean Mooney, Director of Digital Service & Open Government
Genevieve Coyle, Assistant City Attorney
Micah Hinkle, Director of Economic Development and Innovation
Paul Navazio, Director of Finance

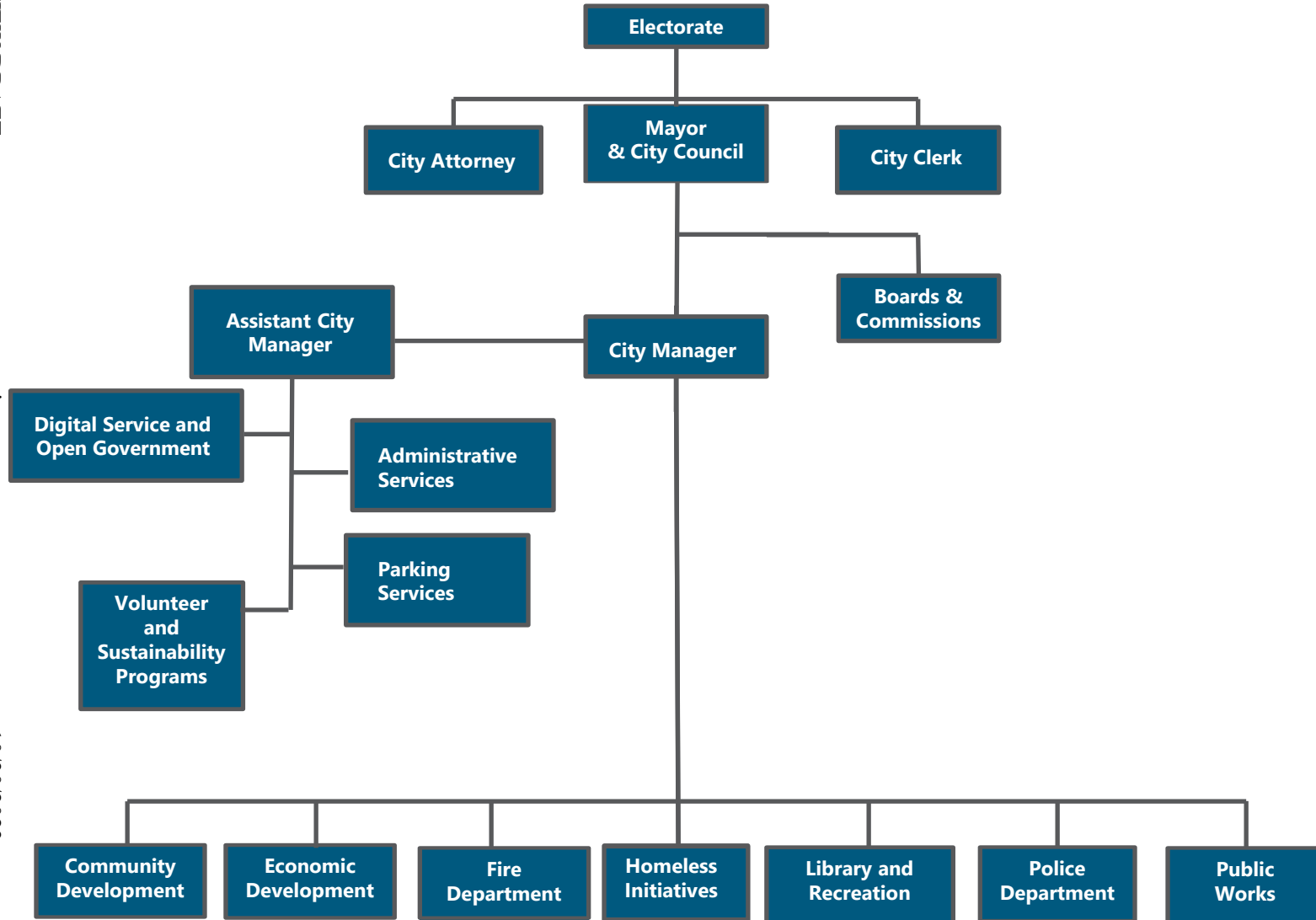


ORGANIZATIONAL CHART

REVIEW DRAFT

xiv

10/30/2023





LOCATION MAP



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Rafael
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



Arbor Park, San Rafael

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of San Rafael, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Rafael (City), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which became effective during the year ended June 30, 2023 and required restatement of certain governmental activities subscription-related balances as discussed in Note 1T to the financial statements.

The emphasis of these matters does not constitute a modification to our opinions.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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.

Pleasant Hill, California

DATE

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

This analysis of the City of San Rafael's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the basic financial statements and the accompanying notes to those basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide:

- *Net Position* – The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of June 30, 2023, by \$292.3 million.
- *Activities* – During the fiscal year the City's total revenues of \$152.8 million were greater than expenses of \$104.8 million for governmental and business-type activities.
- *Changes in Net Position* – The City's total net position increased by \$48.0 million in fiscal year 2022-2023 as compared to the net position of the previous year. Net position of governmental activities increased by \$47.3 million, while net position of the business-type activities increased by \$734 thousand.

Fund Level:

- *Governmental Funds* – As of the close of fiscal year 2022-2023, the City's governmental funds reported combined ending fund balances of \$78.5 million, an increase of \$6.6 million primarily due to receipt of grant funds in advance of capital project spending for projects such as the Third Street Rehabilitation project and the Pickleweed and Carnegie Library Renovation projects. Of this total amount, \$261 thousand is nonspendable, \$46.4 million is restricted, \$13.8 million is committed, \$17.3 million is assigned, and \$665 thousand is unassigned.
- Governmental fund revenues totaled \$147.6 million, an increase of \$500 thousand from the those of the previous fiscal year. Although the increase appears nominal, the prior year included the recognition of approximately \$16.1 million of one-time American Recovery Plan Act funds. The current year included over \$12 million in intergovernmental revenues related to the Third Street Rehabilitation Project against roughly \$3.3 million received for the project in the prior year. The remainder can be mainly attributed to a gain of \$1.2 million on the pooled investment portfolio during the year when compared with a loss of \$1.6 million in the prior year, as well as growth in taxes and assessments and charges for services of about \$5.3 million.
- Governmental fund expenditures increased by \$6.3 million to \$138.7 million, from \$132.4 million in the prior year. Major factors included increased project expenditures, most notably the Third Street Rehabilitation project, as well as compensation increases, and overall increasing costs for goods and services across all facets of operations.
- Enterprise fund net position increased \$734 thousand to \$10.8 million as the City's parking program began to rebound from the lingering effects of the pandemic during the year.

OVERVIEW OF FINANCIAL STATEMENTS

The Annual Comprehensive Financial Report is composed of the following:

1. Introductory section, which includes the Transmittal Letter and general information
2. Management's Discussion and Analysis (this part)
3. Basic Financial Statements, which include the Government-wide and the Fund financial statements, including Fiduciary Funds, along with the Notes to these financial statements
4. Combining statements for Non-Major Governmental Funds and Internal Service Funds
5. Statistical Information

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable. This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

Government-wide Financial Statements

The government-wide financial statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables, and other interfund activity have been eliminated as prescribed by generally accepted accounting principles.

The *Statement of Net Position and the Statement of Activities and Changes in Net Position* report information about the City as a whole. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

The *Statement of Activities and Changes in Net Position* presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

In the *Statement of Net Position* and the *Statement of Activities and Changes in Net Position*, City activities are separated as follows:

Governmental Activities – Most of the City's basic services are reported in this category, including Public Safety, Public Works and Parks, Community Development, Cultural and Recreation, and Government Administration (finance, human resources, legal, City Clerk and City Manager operations). Property tax, sales and use taxes, user fees, interest income, franchise fees, hotel taxes, business licenses, and property transfer taxes, plus state and federal grants finance these activities.

Business-type Activities – The City charges fees to customers to cover the full costs of certain services it provides. The City's Parking Services program is the City's sole business-type activity.

Discretely Presented Component Units – The government-wide financial statements include not only the City itself (the primary government), but also the San Rafael Sanitation District, a legally separate entity for which the City is financially accountable. Financial information for the San Rafael Sanitation District is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 23 through 25 of this report.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

Fund Financial Statements and Major Component Unit Financial Statements

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

The fund financial statements provide detailed information about each of the City's most significant funds called major funds. Each major fund is presented individually with all non-major funds summarized and presented in a single column. Further detail on the non-major funds is presented on pages 124 through 139 of this report.

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 financial capacity.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City has thirty-two governmental funds, of which four are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's four major funds are: the General Fund, Traffic and Housing Mitigation, Gas Tax and Essential Facilities Capital Projects. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 28 through 31 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 124 through 139 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds - enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Parking Services program and reports it as a major fund. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its building maintenance; vehicle, equipment and computer replacement; workers' compensation; general liability; self-insured dental program; other employee and retiree benefits programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 34 through 36 of this report.

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2023

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City acts as an agent on behalf of others, holding amounts collected, and disbursing them as directed or required. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The City's fiduciary funds include a private purpose trust fund to account for activities of the City of San Rafael Successor Agency and a custodial fund that accounts for resources held by the City in a custodial capacity for the Pt. San Pedro Road Assessment District. Information for the fiduciary funds can be found on pages 38 through 39 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 through 96 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. One section includes budgetary comparison statements for the General Fund and major funds (general, gas tax, and traffic and housing mitigation). The other section includes schedules of funding progress for the Marin County Employees' Retirement System and the City's OPEB plan. All budgeted positions that are filled by either full-time or permanent part-time employees (working seventy-five percent of full-time equivalent) are eligible to participate in the system and the OPEB plan. Required supplementary information can be found on pages 97 through 114 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position measures the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. During this fiscal year, the net position of the City was \$281.5 million from Governmental Activities and \$10.8 million from Business-type Activities, for a total of \$292.3 million. This represents an increase of \$48 million from the prior year's net position.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2023 and 2022:

Summary of Net Position
(in thousands)

	Governmental Activities			Business-Type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Current and other assets	\$135,941	\$174,072	(\$38,131)	\$1,745	\$3,568	(\$1,823)
Capital assets	311,664	294,928	16,736	15,162	15,281	(119)
Total assets	<u>447,605</u>	<u>469,000</u>	<u>(21,395)</u>	<u>16,907</u>	<u>18,849</u>	<u>(1,942)</u>
Deferred outflows (Notes 9 and 11)	<u>73,312</u>	<u>42,534</u>	<u>30,778</u>	<u>1,312</u>	<u>1,864</u>	<u>(552)</u>
Current and other liabilities	18,677	19,246	(569)	503	533	(30)
Noncurrent liabilities	192,517	88,630	103,887	6,942	4,086	2,856
Total liabilities	<u>211,194</u>	<u>107,876</u>	<u>103,318</u>	<u>7,445</u>	<u>4,619</u>	<u>2,826</u>
Deferred inflows (Notes 4G, 9 and 11)	<u>28,213</u>	<u>169,434</u>	<u>(141,221)</u>	<u>772</u>	<u>5,475</u>	<u>(4,703)</u>
Net Position:						
Net investment in capital assets	259,204	246,438	12,766	11,454	11,256	198
Restricted	46,773	36,668	10,105		0	0
Unrestricted	(24,466)	(48,883)	24,417	(653)	(1,189)	536
Total net position	<u>\$281,511</u>	<u>\$234,223</u>	<u>\$47,288</u>	<u>\$10,801</u>	<u>\$10,067</u>	<u>\$734</u>

Current and other governmental assets decreased by \$38.1 million, primarily resulting from the inclusion of a Net Pension Asset of \$46.6 million in the prior year that reverted to Net Pension Liability in the current year. The remainder is primarily the result of positive operating results as revenue growth outpaced expense growth during the year. The \$16.7 million increase in capital assets reflects project-to-date activity for major traffic infrastructure improvements, as well as Fire Station 54 and 55 construction and improvements. The increase of \$30.1 million in deferred outflows is primarily a result the impact of pension-related investment losses during the measurement year which caused the unamortized net difference between projected and actual earnings on plan investments to shift to a deferred outflow from deferred inflow in the prior year. In order to decrease the volatility of the measurement of net pension liability gains and losses in excess of those projected are capitalized and amortized over a five-year period. Current and other liabilities decreased by approximately \$569 thousand, primarily due a decrease in accounts payable of \$764 thousand. Noncurrent governmental liabilities increased by \$103.8 million mainly as a result of the reclassification of the prior year's net pension asset to a net pension liability mentioned previously. Deferred inflows decreased by \$141.2 million mainly as a result of the net difference between projected and actual earning on investments during the measurement period that resulted in a substantial net deferred outflow.

The net position in business-type activities reflects the fiscal activity of the Parking Services program and increased by \$734 thousand from the previous year as a result of a recovery in parking program revenues that had been slow to rebound from the impacts of the pandemic. Current and other assets decreased by \$1.8 million due the reclassification of the prior year's \$1.6 million net pension asset to a net pension liability in the current year. Correspondingly, noncurrent liabilities increased by \$2.8 million mainly due to the addition of the \$3.1 million net pension liability.

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

Capital assets decreased by \$119 thousand due to current year depreciation. The decreases in deferred outflows and related increases in deferred inflows and current and other assets were due to the pension-related adjustments mentioned above. The \$30 thousand increase in current liabilities is driven by the decrease in accounts payable to end the year.

At June 30, 2023, the largest portion of total net position in the amount of \$270.7 million consisted of the City's investment in capital assets net of related debt. This component represents the total amount of funds required to acquire capital assets less any related debt used for such acquisition that is still outstanding. The City uses these assets to provide services to residents. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Therefore, debt service payments are funded from other sources available to the City.

A portion of the City's total net position, \$46.8 million, is subject to external restrictions, and their use is determined by those restrictions whether legal or by covenant. In addition, the unrestricted negative \$25.1 million represents the extent to which the net investment in capital assets and restricted net position exceed total net assets.

Net Position as of 6/30/2023	
(in thousands)	
Invested in Capital Assets (net)	\$270,658
Restricted	46,773
Unrestricted	<u>(25,119)</u>
Total Net Position	<u><u>\$292,312</u></u>

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

Statement of Activities - Governmental

The following is the condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2023 and 2022:

Summary of Changes in Net Position
(in thousands)

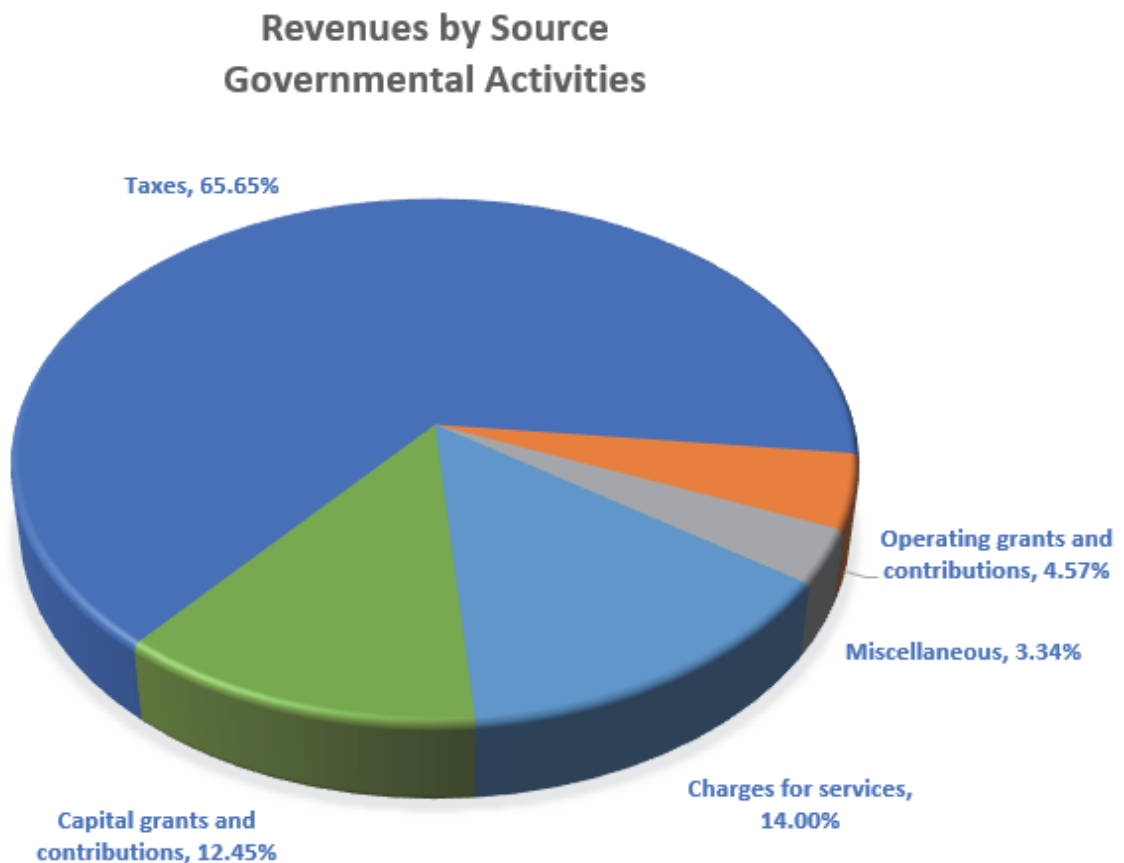
	Governmental Activities		Increase
	2023	2022	(Decrease)
REVENUES			
Program revenues:			
Charges for services	\$20,735	\$18,938	\$1,797
Operating grants and contributions	6,764	22,521	(15,757)
Capital grants and contributions	18,438	9,868	8,570
Total program revenues	<u>45,937</u>	<u>51,327</u>	<u>(5,390)</u>
General revenues:			
Property taxes	33,023	32,324	699
Sales taxes	45,633	44,110	1,523
Paramedic tax	5,224	5,110	114
Transient occupancy tax	3,396	2,976	420
Franchise tax	4,425	4,210	215
Business license tax	2,584	2,646	(62)
Other taxes	2,975	3,109	(134)
Investment earnings	1,709	(1,424)	3,133
Gain from sale of capital assets		990	(990)
Miscellaneous	3,233	2,966	267
Total general revenues	<u>102,202</u>	<u>97,017</u>	<u>5,185</u>
TOTAL REVENUES	<u>148,139</u>	<u>148,344</u>	<u>(205)</u>
EXPENSES			
General government	11,163	10,459	704
Public safety	49,904	34,379	15,525
Public works and parks	23,354	14,031	9,323
Community/economic development	4,437	2,835	1,602
Culture and recreation	10,723	7,431	3,292
Interest on long-term debt	1,793	2,005	(212)
TOTAL EXPENSES	<u>101,374</u>	<u>71,140</u>	<u>30,234</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>46,765</u>	<u>77,204</u>	<u>(30,439)</u>
Transfers in	<u>521</u>	<u>521</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>521</u>	<u>521</u>	<u>-</u>
Net Change in Net Position	47,286	77,725	(30,439)
Beginning Net Position	215,851	138,126	77,725
Ending Net Position, June 30	<u>\$263,137</u>	<u>\$215,851</u>	<u>\$47,286</u>

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

The City's governmental activities net position increased by \$47.3 million during fiscal year 2022-2023. Year-over-year revenues were largely similar to the prior year, however, there are significant fluctuations within program and general revenues to arrive at the total. Within program revenues, charges for services increased about \$1.8 million as the result of recovery in Recreation and Childcare programs from lingering effects of the pandemic, as well as growth in ambulance third-party billings. Operating grants and contributions decreased by \$15.8 million as the prior year amount included the recognition of \$16.1 million in one-time ARPA funds and Capital grants and contributions increased by roughly \$8.6 million mainly as the result of contributions to the Third Street Rehabilitation project. Within the general revenues category, investment earnings increased by \$3.1 million following the recording of a \$1.7 million gain during the year juxtaposed against the \$1.4 million loss of the prior year. The loss of the prior year was attributable to the rapid rise in interest rates during the period, causing a correspondingly sharp decrease in the value of bonds. Also of note, property and sales taxes continued to show strong growth, accounting for an increase of \$2.2 million in revenue for the year.

Overall operating expenses reflect significant increases for the fiscal year as a direct result of pension and OPEB adjustments made during the year. The prior year's amounts were anomalously low as a result of extraordinary market returns during the measurement period ending June 30, 2021, that was reported June 30, 2022. The adjustments for these expenses offset personnel costs in each functional area on the Statement of Activities for fiscal 2021-22. Market losses during the June 30, 2022, fiscal year have had the opposite effect on balances for the current fiscal year, thus presenting a large variance that is not consistent with the City's incremental functional program cost as presented on the fund financial statements.

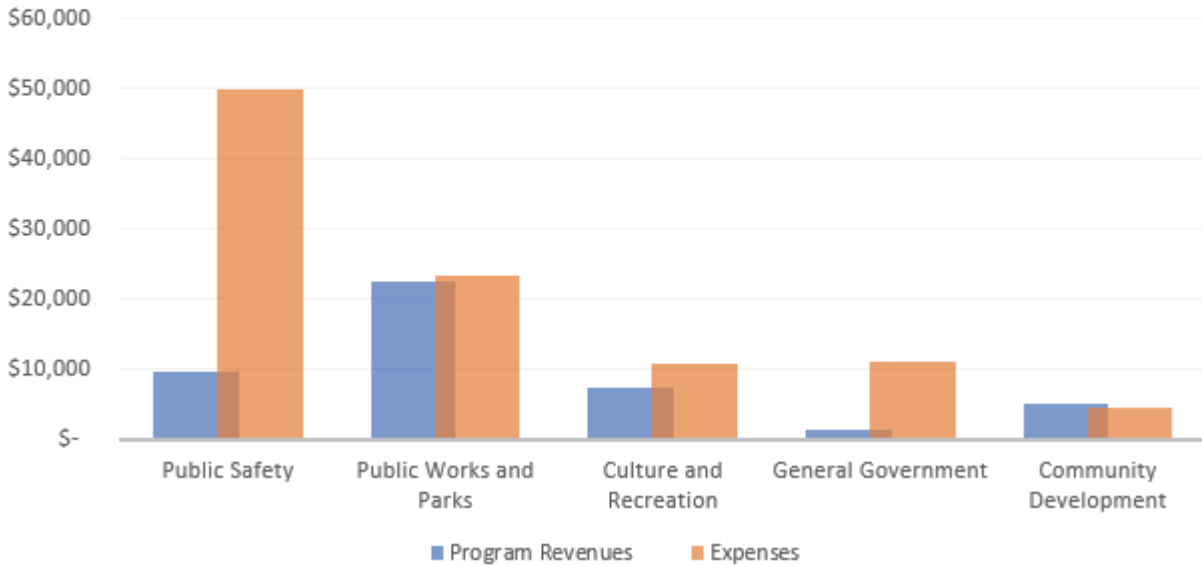
The following graph shows governmental revenues by source:



CITY OF SAN RAFAEL

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023**

**Expenses and Program Revenues
Governmental Activities
(in thousands)**



Total expenses for governmental activities were \$99.6 million (excluding interest on long-term debt of \$1.8 million). Program revenues offset total expenses as follows:

- Those who directly benefited from programs contributed \$20.7 million in charges for services.
- A total of \$25.2 million in operating and capital projects were funded by outside agencies through operating grants, capital grants, and contributions.

As a result, total expenses that were funded by tax revenues, investment income, other general revenues and fund balance were \$53.6 million.

Functional expenses for the year ended June 30, 2023, were as follows:

Expenses by Function

(in thousands)

Function	Amount	Percent of Total
General government	\$11,163	11.0%
Public safety	49,904	49.2%
Public works and parks	23,354	23.0%
Community development	4,436	4.4%
Culture and recreation	10,723	10.6%
Interest on debt	1,793	1.8%
Total expenses	\$101,373	100%

CITY OF SAN RAFAEL

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023**

Statement of Activities – Business-Type

**Summary of Changes in Net Position
For the periods ended June 30, 2023 and 2022 (in thousands)**

	Business-Type Activities		Increase
	2023	2022	(Decrease)
Revenues			
Program revenues:			
Charges for services	\$4,682	\$3,837	\$845
Total program revenues	4,682	3,837	845
General revenues:			
Investment Income	8	9	(1)
Total general revenues	8	9	(1)
TOTAL REVENUES	4,690	3,846	844
Expenses			
General government	3,436	2,227	1,209
TOTAL EXPENSES	3,436	2,227	1,209
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	1,254	1,619	(365)
OTHER FINANCING SOURCES (USES)			
Transfers out	(521)	(521)	-
Total Other Financing sources (uses)	(521)	(521)	-
Net Change in Net Position	733	1,098	(365)
Net Position, Beginning	10,067	8,969	1,098
Net Position, Ending	\$10,800	\$10,067	\$733

The net position for business-type activities increased from the prior year by \$733 thousand primarily as a result of increased program revenues following a sluggish post-pandemic recovery. In the prior two fiscal years the Parking services program was acutely affected by the lasting impacts of the coronavirus pandemic as reduced brick-and-mortar business activity and increased remote work arrangements reduced demand for street and garage parking.

Parking services is the City's only business-type activity with income derived from program revenues of \$4.7 million. Program revenues include parking meter coin income of \$1.4 million and parking garage hourly and monthly parking income of \$0.9 million. Revenues also include parking and non-vehicle code fines totaling \$2.4 million. Total expenses for parking services were \$3.4 million and transfers out to general fund and non-major governmental fund for support totaled \$521 thousand during the fiscal year 2022-2023.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds

Fund Balance Classifications

Fund balances are classified in five categories: nonspendable, restricted, committed, assigned, and unassigned based on a hierarchy of constraint. Further details on fund balance classifications can be found in Note 8B.

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 financial capacity. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2023, the City reported a combined ending fund balance of \$78.5 million of all its governmental funds (an increase of \$6.6 million from the prior year): \$261 thousand is non-spendable, \$46.4 million is restricted, \$13.8 million is committed, \$17.4 million is assigned, and \$665 thousand is unassigned.

General Fund – *The General Fund is the primary operating fund of the City.*

General Fund – The fund balance of the General Fund as of June 30, 2023, was \$27.8 million (a decrease of \$6 million from the prior year balance): \$78 thousand is non-spendable, \$9.8 million is committed, \$17.3 million is assigned and \$665 thousand is unassigned. The committed portion of the balance includes \$9.8 million for emergency and cash flow needs.

General Fund Budgetary Highlights:

The original adopted General Fund budget projected total revenue of \$96.8 million and transfers-in of \$1.8 million for total resources of \$98.6 million. This budget appropriated expenditures of \$93 million and transfers-out of \$3.3 million for total appropriations of \$96.3 million. Revenues were later increased to \$98.3 million as a result of increased sales and use tax projections at mid-year. Transfers-in were reduced \$639 thousand mainly as a result of foregoing the annual transfer of administrative costs from the Gas Tax fund to maintain capacity within the fund for project needs. Transfers-out were increased by \$13.5 million mainly for project support of the San Quentin Pump Station project (\$7.25 million), Liability fund projects (\$2.4 million), and other capital projects (\$3.3 million).

Actual revenues, at \$98.1 million, exceeded original budgeted revenues by \$1.3 million. The increase is largely attributed to increased sales and use taxes, property taxes, and hotel taxes received during the year. These revenue increases were offset by lower than anticipated intergovernmental transfers and charges for services eclipsing favorable fair value adjustments to the City's fixed income portfolio of approximately \$637 thousand. Expenditures of \$88.5 million were \$4.5 million less than original budgeted expenditures of \$93 million as the City experienced significant personnel savings on vacant positions during the fiscal year. The City Council took action to apply a portion of these savings to the Capital Projects and Liability funds for project support via transfers out.

Fiscal year 2022-2023 General Fund expenditures and transfers out of \$105.2 million exceeded revenues and transfers in of \$99.2 million by \$6.0 million. The variance is primarily the result of the utilization of ARPA proceeds received in the prior year.

CITY OF SAN RAFAEL

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023**

**Summary of General Fund Budget and Actual
For the fiscal year ended June 30, 2023 (in thousands)**

	Adopted Budget	Revised Budget	Actual
Revenues	\$96,768	\$98,268	\$98,099
Transfers in	1,770	1,131	1,131
Total resources	98,538	99,399	99,230
Expenditures	92,971	\$94,447	88,450
Operating transfers out	3,307	13,486	13,486
Capital transfers out	-	3,307	3,307
Total uses	96,278	111,240	105,243
Net Results	\$2,260	(\$11,841)	(\$6,013)

Traffic and Housing Mitigation Fund – The City uses this fund to collect developer contributions to be used for major street improvement and housing infrastructure projects. During the year, the fund balance increased from \$4.9 million to \$5.7 million. Revenues totaled \$1.0 million, while \$223 thousand was charged against this fund to support the maintenance of the City-wide traffic model and the Grand Avenue Cycle Track project, which would add bicycle facility on the east side of grand Avenue between Fourth Street and Second Street. The balance in the fund is being held in anticipation of major street projects identified in the General Plan 2040 and other qualifying expenditures.

Gas Tax Fund – The City uses this fund to manage its allocation of State gasoline taxes and local funding for street maintenance projects. Gas tax revenues exceeded expenditures and net transfers by \$4.9 million in fiscal year 2022-2023 resulting in an increase in fund balance from \$6.9 million to \$11.8 million. The activities for the year were all planned and approved project work.

Expenditures during fiscal year 2022-2023 totaled \$16.9 million. In addition to routine street-related maintenance of \$1.3 million, major expenditures included \$10.1 million for the third street rehabilitation project, \$1.8 million for slurry seal projects, \$1.4 million for third street safety improvements, \$946 thousand for parking modifications and other enhancements at Spinnaker Point, and \$495 thousand for resurfacing and improvements to Bungalow Avenue.

The largest sources of revenues were \$1.1 million in development impact fees, \$1.3 million in federal grants, \$1.6 million from State gasoline taxes, \$1.4 million in State RMRA (Road Maintenance and Rehabilitation Account) funding, \$7.8 million in local Measure A and AA funding, and \$4.2 million in reimbursements from local agencies.

Essential Facilities Capital Projects Fund – The City uses this fund to account for major capital improvements to public safety facilities. During the year, construction was substantially completed on Fire Stations 54 and 55. Expenditures during fiscal year 2022-2023 totaled \$6.2 million and transfers from the General Fund representing an allocation of Measure E Transaction and Use Tax totaled \$587 thousand.

Non-major Governmental Funds – The City's non-major funds are presented in the basic financial statements in the aggregate. At June 30, 2023, non-major funds had a total fund balance of \$29.5 million, a \$12.5 million increase over that of the previous year. The largest fund balance decrease, \$306 thousand, was recorded in the Measure A Open Space Fund as result of prior year fund balance being drawn down. The largest fund balance increase, \$5.4 million, was recorded in the Stormwater Fund as \$7.25 million in one-time funds were transferred from the general fund to support the San Quentin pump station repair project during the year.

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2023

Of the ending total non-major fund balances of \$29.5 million: \$25.2 million (86%) is legally restricted for specific purposes by external funding source providers, \$4.0 million (14%) is committed for special purposes by the City Council, \$119 thousand (less than 1%) is assigned, and \$183 thousand (less than 1%) is nonspendable. Additional information about these aggregated non-major funds is presented in the combining statements which immediately follow the required supplementary information.

Proprietary Funds

The City's proprietary funds are presented in the basic financial statements in a manner similar to that found in the government-wide financial statements, but in more detail. As noted in the Summary of Changes in Net Position – Business-type Activities on page 35, the City's enterprise fund net position increased by \$733 thousand during the fiscal year. The Parking Services Fund is the City's sole business-type (Enterprise) activity.

The parking services fund's operating revenue increased by \$845 thousand in fiscal year 2022-2023 to \$4.7 million. The enterprise fund operating expenses were \$3.3 million in fiscal year 2022-2023, an increase of \$1.2 million over the prior fiscal year. The increase in operating revenues was the result of continued recovery from the pandemic driving higher demand for parking. The substantial increase in expenses is a direct result of pension adjustments related to the measurement year ending June 30, 2022, when extraordinary gains were achieved and offset pension expenses for the period. Pension adjustments related to allocated losses incurred during the measurement year ending June 30, 2023, resulted in a reverse of the prior year adjustment, and thereby operating expenditures, resulting in totals more in line with historic norms.

The City's Internal Service Funds are also reported in this Proprietary Fund classification. In fiscal year 2022-2023, the Internal Service Funds comprised of: Building Maintenance, Vehicle Replacement, Equipment Replacement, Employee Benefits, Liability Insurance, Workers' Compensation, Dental Insurance, Employee Retirement, OPEB/Retiree Medical, Radio Replacement, Telephone Replacement and Sewer Maintenance. The net position of the Internal Service Funds increased by \$4.3 million. Net investment in capital assets increased by \$206 thousand, while unrestricted fund balance increased by \$4.1 million. The increase in capital assets resulted primarily from vehicle purchases, offset by depreciation of existing capital assets. The increase in unrestricted fund balance reflects increased allocations to the Liability Fund to fund projects resulting from claims as well as increased allocations to the Vehicle Replacement Fund to fund repair and replacement of aging capital assets. The other Internal Service Funds reported small-to-moderate changes to their respective net positions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$311.6 million, net of accumulated depreciation of \$211.4 million. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, right-to-use lease assets, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. The addition to the City's investment in capital assets for the current fiscal year was \$25.3 million, offset by accumulated depreciation of \$10.1 million.

Additions to capital assets during fiscal year 2022-2023 included:

- Machinery and Equipment: Vehicles totaling \$1.5 million
- Infrastructure: \$3.7 million
 - Bungalow Avenue Rehabilitation - \$1.5 million

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

- San Rafael Canal Improvements - \$1.1 million
- Schoen parking lot conversion - \$1.1 million

A comparison of the City's Capital Assets for the fiscal years ending June 30, 2023 and 2022 is presented below:

Summary of Capital Assets
(in thousands)

	2023	2022 (as restated)*
Governmental Activities		
Land	\$84,026	\$84,026
Construction in progress	42,582	22,485
Land improvements	10,852	9,763
Buildings and structures	119,165	119,165
Machinery and equipment	22,016	20,497
Infrastructure	237,123	234,559
Intangible right-to-use leased building	5,476	5,476
Intangible right-to-use leased equipment	258	258
Intangible right-to-use subscription	1,559	1,559
Less accumulated depreciation	(211,394)	(201,301)
Subtotal Governmental Activities	<u>311,663</u>	<u>296,487</u>
Business-type Activities		
Land	8,621	8,621
Buildings and structures	10,714	10,714
Machinery and equipment	1,047	940
Less accumulated depreciation	(5,219)	(4,994)
Subtotal Business-type Activities	<u>15,163</u>	<u>15,281</u>
Total Capital Assets	<u><u>\$326,826</u></u>	<u><u>\$311,768</u></u>

Additional information on the City's capital assets can be found in Note 5 on pages 63 through 64 of this report.

* The 2022 balances have been restated to reflect the effects of the implementation of GASB Statement No. 96. See Note 1S for additional information.

Debt Administration

The City's debt obligations were stable year-over-year and reflect payments of principal made during the year. The debt of the former Redevelopment Agency is reported under the Successor Agency, which is presented as a Private-Purpose Trust Fund on the Statement of Fiduciary Net Position. (See Note 6 of the financial statements for additional information on the debt obligations of the City and Note 16 for additional information on the Successor Agency.) The City's long-term obligations for the fiscal years ending June 30, 2023 and 2022 were as follows:

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023

Summary of Long-Term Debt
(in thousands)

	2023	2022
Governmental Activity Debt:		
2018 Authority Lease Revenue Bond	\$44,852	\$47,600
2010 Taxable Pension Obligation Bonds	1,805	2,340
PG & E City Hall HVAC Retrofit Note Payable	13	46
PG & E Efficiency Note Payable	531	680
PG & E City Hall Efficiency Note Payable	143	165
Subtotal Governmental Activity Debt	<u>47,344</u>	<u>50,831</u>
Business-Type Activity Debt:		
PG & E Parking Lot Lighting Retrofit Note Payable	1	7
2012 Authority Lease Revenue Refunding Bonds	<u>3,708</u>	<u>4,018</u>
Subtotal Business-Type Activity Debt	<u>3,709</u>	<u>4,025</u>
Total Long-Term Obligations	<u><u>\$51,053</u></u>	<u><u>\$54,856</u></u>

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2023**

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

The global economy continues to slow as high inflation persists under tighter monetary policy. The International Monetary Fund currently projects global growth to slow from 3.5% in 2022 to 3.0% in 2023, then reduced further to 2.9% in 2024. Policy interest rates are at or close to a peak in most economies and with core inflation remaining stubborn, economies are likely to face mounting fiscal pressure as the cost of debt becomes more burdensome.

Nationally, the economic climate is focused on inflation and corresponding monetary policy surrounding interest rates. The US is likely close to a peak in interest rates as the Federal Reserve has recently signaled at least a pause in its tightening in the short-term as it continues to gather economic data supporting the general slowing of the economy to combat inflation. The country is likely to experience slow growth in the year ahead as the economy continues to grapple with persistent inflation.

In California, the long-forecasted recession appears to be postponed further as consumer spending remains strong and unemployment remains low at 4.6%. However, the housing market remains particularly constrained as high mortgage rates and low affordability put pressure on the sector, currently buoyed by a reduction in supply. Should current economic projections hold, the state may, in fact, weather this period of aggressive monetary policy without falling into an official recession.

Locally, Marin County remains somewhat insulated from more pronounced impacts of the macro environment with an unemployment rate among the lowest in the state at 3.7% and per capita income among the highest. However, the County has been experiencing a labor shortage since the onset of the pandemic that could put pressure on local businesses to perform and lead to inflationary pressures.

In San Rafael, sales and use tax forecasts show the city slowing from post-pandemic boom with a contraction of just over 1 percent for the coming fiscal year. Overall, the city's revenue sources are budgeted to grow at a rate of less than one percent in fiscal 2023-24, as the economy begins to cool, however remaining at its elevated post-pandemic level. The City's largest expenditure relates to personnel costs that are tied to labor agreements with each bargaining group. The City's labor units are all operating under three-year contracts that expire in 2024.

The City heads into the new fiscal year with a strong balance sheet and large capital projects in the pipeline bolstered by use of ARPA funds. Expectations are for large drawdowns on accumulated fund balances as capital projects get underway. However, costs are continuing to rise and certain projects may need to be prioritized to ensure the City does not become overextended.

REQUEST FOR INFORMATION

This financial report is designed to provide our residents, businesses, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for providing high quality services within the limits of our fiscal resources. If you have questions about this report or need additional financial information, contact the City of San Rafael – Finance Department at 1400 Fifth Avenue, Room 204, San Rafael, California 94901.

CITY OF SAN RAFAEL

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are also referred to as Government-wide financial statements.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net position, by subtracting total liabilities and deferred inflows of resources from total assets and deferred outflows of resources.

The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column, and the financial position of all the City's Business-type Activities in a single column; these columns are followed by a total column which presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue and Capital Projects Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, deferred outflows/inflows of resources, available revenues, and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues - that is, revenues which are generated directly by these programs - are then deducted from program expenses to arrive at the net expense of each governmental and Business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the San Rafael Joint Powers Financing Authority which are legally separate but are considered to be component units of the City because they are controlled by the City, which is financially accountable for their activities. The balances and the activities of the San Rafael Sanitation District, a discretely presented component unit, are included in these statements in a separate column.



CITY OF SAN RAFAEL
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
ASSETS				
Cash and investments available for operations (Note 2)	\$108,416,439	\$580,051	\$108,996,490	\$47,632,637
Restricted cash and investments (Note 2)	707,371		707,371	
Receivables:				
Accounts, net	4,164,410	1,164,507	5,328,917	1,884,396
Intergovernmental	9,941,501		9,941,501	
Grants	5,740,300		5,740,300	
Interest	460,766		460,766	
Loans (Note 4A)	3,722,291		3,722,291	
Long-term receivable from San Rafael Sanitation District (Note 4G)	2,002,944		2,002,944	
Leases receivable (Note 4H)	495,548		495,548	
Prepaid expenses and others	290,193		290,193	77,441
Capital assets (Note 5):				
Nondepreciable	126,607,764	8,620,853	135,228,617	7,769,106
Depreciable, net	185,055,855	6,541,564	191,597,419	52,320,884
Total Assets	<u>447,605,382</u>	<u>16,906,975</u>	<u>464,512,357</u>	<u>109,684,464</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension (Note 9)	66,395,277	2,005,869	68,401,146	
Deferred outflows related to OPEB (Note 11)	6,916,720	105,280	7,022,000	
Total Deferred Outflows of Resources	<u>73,311,997</u>	<u>2,111,149</u>	<u>75,423,146</u>	
LIABILITIES				
Accounts payable	10,472,693	112,966	10,585,659	1,313,903
Developer and other deposits payable	846,711		846,711	
Interest payable		31,322	31,322	
Unearned revenue	468,456	21,402	489,858	
Claims payable (Note 13):				
Due in one year	2,886,630		2,886,630	
Due in more than one year	12,900,068		12,900,068	
Compensated absences (Note 1L):				
Due in one year	528,768	16,444	545,212	
Due in more than one year	3,701,377	115,104	3,816,481	
Long-term debt (Note 6):				
Due in one year	3,184,469	320,489	3,504,958	
Due in more than one year	44,160,068	3,387,928	47,547,996	
Lease liabilities (Note 14):				
Due in one year	62,395		62,395	
Due in more than one year	5,515,740		5,515,740	
Subscription liabilities (Note 14):				
Due in one year	226,781		226,781	
Due in more than one year	1,115,064		1,115,064	
Long-term payable to the City of San Rafael, due in more than one year (Note 4G)				2,002,944
Net OPEB liability, due in more than one year (Note 11)	22,740,857	346,143	23,087,000	
Net Pension liability, due in more than one year (Note 9)	102,383,546	3,093,111	105,476,657	
Total Liabilities	<u>211,193,623</u>	<u>7,444,909</u>	<u>218,638,532</u>	<u>3,316,847</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension (Note 9)	23,357,716	705,660	24,063,376	
Deferred inflows related to OPEB (Note 11)	4,385,251	66,749	4,452,000	
Deferred inflows related to leases receivable (Note 4H)	469,623		469,623	
Total Deferred Inflows of Resources	<u>28,212,590</u>	<u>772,409</u>	<u>28,984,999</u>	
NET POSITION (Note 8):				
Net investment in capital assets	259,204,102	11,454,000	270,658,102	59,178,014
Restricted for:				
Special revenue projects:				
Housing and street improvements	19,400,818		19,400,818	
Stormwater	6,629,459		6,629,459	
Emergency medical services	2,464,501		2,464,501	
Other	13,978,369		13,978,369	
Capital projects	4,300,186		4,300,186	
Total Restricted Net Position	<u>46,773,333</u>		<u>46,773,333</u>	
Unrestricted	(24,466,269)	(653,194)	(25,119,463)	47,189,603
Total Net Position	<u>\$281,511,166</u>	<u>\$10,800,806</u>	<u>\$292,311,972</u>	<u>\$106,367,617</u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$11,162,650	\$383,890	\$985,789	
Public safety	49,903,663	7,063,009	2,617,235	
Public works and parks	23,353,510	3,146,404	2,980,423	\$16,429,375
Community development	4,436,659	4,982,748		
Culture and recreation	10,723,168	5,158,806	180,368	2,008,856
Interest on long-term debt and fiscal charges	1,793,203			
Total Governmental Activities	101,372,853	20,734,857	6,763,815	18,438,231
Business-type Activities:				
Parking services	3,435,551	4,682,140		
Total Business-type Activities	3,435,551	4,682,140		
Total Primary Government	\$104,808,404	\$25,416,997	\$6,763,815	\$18,438,231
Component Unit				
San Rafael Sanitation District	\$13,541,927	\$16,638,611	\$5,531	\$175,481
General revenues:				
Taxes:				
Property				
Sales:				
Sales and Use				
Measure R quarter-cent sales				
Measure E half-cent sales				
Measure E quarter-cent sales				
Paramedic				
Transient occupancy				
Franchise				
Business license				
Other				
Investment earnings				
Gain from sale of capital assets				
Miscellaneous				
Transfers (Note 3A)				
Total general revenues and transfers				
Change in Net Position				
Net Position, beginning of year				
Net Position, end of year				

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
(\$9,792,971)		(\$9,792,971)	
(40,223,419)		(40,223,419)	
(797,308)		(797,308)	
546,089		546,089	
(3,375,138)		(3,375,138)	
(1,793,203)		(1,793,203)	
(55,435,950)		(55,435,950)	
	\$1,246,589	1,246,589	
	1,246,589	1,246,589	
(55,435,950)	1,246,589	(54,189,361)	
			\$3,277,696
33,023,030		33,023,030	2,129,197
26,124,164		26,124,164	
4,802,175		4,802,175	
9,804,352		9,804,352	
4,902,176		4,902,176	
5,224,387		5,224,387	
3,396,479		3,396,479	
4,424,917		4,424,917	
2,583,546		2,583,546	
2,975,282		2,975,282	
1,708,860	8,320	1,717,180	1,328,202
3,233,349		3,233,349	11,759
521,322	(521,322)		
102,724,039	(513,002)	102,211,037	3,469,158
47,288,089	733,587	48,021,676	6,746,854
234,223,077	10,067,219	244,290,296	99,620,763
\$281,511,166	\$10,800,806	\$292,311,972	\$106,367,617



FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. Only individual major funds are presented in the Fund Financial Statements, while non-major funds are combined in a single column. Individual non-major funds may be found in the Supplemental Section.

The funds described below were determined to be major funds by the City in fiscal year 2022-2023:

GENERAL FUND

Established to account for all financial resources necessary to carry out basic governmental activities of the City which are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, building and street maintenance, libraries, recreation, parks, and open space maintenance.

TRAFFIC AND HOUSING MITIGATION SPECIAL REVENUE FUND

Established to maintain long-term developer contributions for major housing and street improvement projects.

GAS TAX SPECIAL REVENUE FUND

Established to receive and expend the City's allocation of the State gasoline taxes.

ESSENTIAL FACILITIES CAPITAL PROJECTS FUND

Established to account for major capital improvements to public safety facilities.

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

	Special Revenue Funds					
	General Fund	Traffic and Housing Mitigation	Gas Tax	Essential Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments available for operations (Note 2)	\$22,962,334	\$3,796,390	\$8,177,990	\$4,117,352	\$26,574,041	\$65,628,107
Restricted cash and investments (Note 2)	621,650			3,352	82,369	707,371
Receivables:						
Accounts	1,771,001				2,393,409	4,164,410
Intergovernmental	9,170,687		392,561		378,253	9,941,501
Grants	45,538		5,004,338		690,424	5,740,300
Interest	454,608				6,158	460,766
Loans (Note 4A)	1,059	1,922,012			1,799,220	3,722,291
Leases (Note 4H)	42,363				453,185	495,548
Prepays	78,057				182,890	260,947
Total Assets	\$35,147,297	\$5,718,402	\$13,574,889	\$4,120,704	\$32,559,949	\$91,121,241
LIABILITIES						
Accounts payable	\$5,537,855	\$25,340	\$1,739,177	\$402,689	\$1,955,259	\$9,660,320
Deposits payable	278,204				189,388	467,592
Developer deposits payable	375,484				3,635	379,119
Unearned revenue					468,456	468,456
Total Liabilities	6,191,543	25,340	1,739,177	402,689	2,616,738	10,975,487
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	1,147,817					1,147,817
Related to leases (Note 4H)	39,939				429,684	469,623
Total Deferred Inflows of Resources	1,187,756				429,684	1,617,440
Fund Balances (Note 8):						
Nonspendable	78,057				182,890	260,947
Restricted		5,693,062	11,835,712	3,718,015	25,202,545	46,449,334
Committed	9,753,000				4,008,844	13,761,844
Assigned	17,272,274				119,248	17,391,522
Unassigned	664,667					664,667
Total Fund Balances	27,767,998	5,693,062	11,835,712	3,718,015	29,513,527	78,528,314
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$35,147,297	\$5,718,402	\$13,574,889	\$4,120,704	\$32,559,949	\$91,121,241

See accompanying notes to basic financial statements

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Total fund balances reported on the governmental funds balance sheet	\$78,528,314
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:	
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.	298,799,407
Internal service funds are used by management to charge the cost of management of building, workers' compensation, employee benefits, insurance, and post-retirement healthcare benefits to individual funds. The assets and liabilities are included in Governmental Activities in the Statement of Net Position.	37,966,327
Long-term liabilities, including bonds payable, lease liabilities and subscription liabilities, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	(53,148,125)
Compensated absences	(4,230,145)
Unavailable revenue	1,147,817
Long-term receivable from San Rafael Sanitation District	2,002,944
Deferred outflows related to pension	66,395,277
Net pension liability	(102,383,546)
Deferred inflows related to pension	(23,357,716)
Deferred outflows related to OPEB	6,916,720
Deferred inflows related to OPEB	(4,385,251)
Net OPEB liability	<u>(22,740,857)</u>
Net position of governmental activities	<u><u>\$281,511,166</u></u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds					
	General	Traffic and Housing Mitigation	Gas Tax	Essential Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and special assessments	\$86,808,092				\$9,565,303	\$96,373,395
Licenses and permits	3,002,122					3,002,122
Fines and forfeitures	228,966					228,966
Use of money and properties	684,150	\$112,664	\$79,353	\$27,274	319,587	1,223,028
Intergovernmental	3,521,419	225,000	19,123,868		5,720,599	28,590,886
Charges for services	2,843,882	697,658	2,419,840		9,868,715	15,830,095
Other revenue	1,010,712		137,258		1,174,889	2,322,859
Total Revenues	98,099,343	1,035,322	21,760,319	27,274	26,649,093	147,571,351
EXPENDITURES						
Current:						
General government	13,114,356				744,268	13,858,624
Public safety	47,070,997				11,602,881	58,673,878
Public works and parks	14,602,766	142,969	3,695,723		1,094,130	19,535,588
Community development	5,174,237	16,009				5,190,246
Culture and recreation	3,201,698				9,462,584	12,664,282
Capital outlay		64,050	13,170,654	6,213,497	4,088,639	23,536,840
Debt service:						
Principal	3,044,551					3,044,551
Interest and fiscal charges	2,241,875					2,241,875
Total Expenditures	88,450,480	223,028	16,866,377	6,213,497	26,992,502	138,745,884
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,648,863	812,294	4,893,942	(6,186,223)	(343,409)	8,825,467
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 3A)	1,131,142	8,897	32,400	586,926	12,817,453	14,576,818
Transfers out (Note 3A)	(16,793,126)		(8,897)		(18,457)	(16,820,480)
Total Other Financing Sources (Uses)	(15,661,984)	8,897	23,503	586,926	12,798,996	(2,243,662)
Net Change in Fund Balances	(6,013,121)	821,191	4,917,445	(5,599,297)	12,455,587	6,581,805
FUND BALANCES, BEGINNING OF YEAR	33,781,119	4,871,871	6,918,267	9,317,312	17,057,940	71,946,509
FUND BALANCES, END OF YEAR	\$27,767,998	\$5,693,062	\$11,835,712	\$3,718,015	\$29,513,527	\$78,528,314

See accompanying notes to financial statements

CITY OF SAN RAFAEL
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$6,581,805
--	-------------

Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

Capital Assets Transactions

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation and amortization expense.

Capital outlay and improvement expenditures are added back to fund balance	23,857,867
Depreciation and amortization expense is deducted from fund balance	(8,654,471)
(Depreciation and amortization expense is net of internal service fund depreciation and amortization of \$1,490,782, which has already been allocated to serviced funds).	

Long-Term Debt and Lease Liability Proceeds and Payments

Governmental funds record proceeds and payments as other financing sources and expenditures. However, in the Statement of Net Position, those costs are reversed as increases and decreases in long-term liabilities.

Repayments of long-term debt principal	2,956,642
Amortized bond premium expense is added back to fund balance	507,943
Repayments of lease principal	82,561
Repayments of subscription principal	5,348

Accrual of Non-Current Items

The amount below included in the Statement of Activities does not require the use of current financial resources and therefore is not reported as revenue or expenditures in governmental funds (net change):

Compensated absences	57,666
Unavailable revenue	67,417
Long-term receivable from San Rafael Sanitation District	(1,321,117)

Net Pension (Asset) Liability Transactions

Governmental funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension (asset) liability.	16,574,632
---	------------

Net OPEB Liability Transactions

Governmental funds record OPEB expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net OPEB liability.	2,259,607
---	-----------

Allocation of Internal Service Fund Activities

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.	4,312,189
---	-----------

Change in Net Position of Governmental Activities	\$47,288,089
---	--------------

See accompanying notes to financial statements



PROPRIETARY FUND FINANCIAL STATEMENTS
--

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges, whether external or internal.

The City reports its only enterprise fund as a major fund.

PARKING SERVICES FUND

Established to maintain parking garages, lots, and spaces in the Downtown Parking District, and to pay for parking enforcement and meter collection.

INTERNAL SERVICE FUNDS

Established to account for department services and financing performed for other departments within the same governmental jurisdiction. Funding comes from charges assessed to the departments benefiting from the service.

CITY OF SAN RAFAEL
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Business-type Activities - Enterprise Fund	Governmental Activities
	Parking Services	Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments available for operations (Note 2)	\$580,051	\$42,788,332
Receivable:		
Accounts, net	1,164,507	
Prepaid expense		29,246
Total Current Assets	<u>1,744,558</u>	<u>42,817,578</u>
Noncurrent Assets:		
Capital assets (Note 5):		
Nondepreciable	8,620,853	910,869
Depreciable, net	<u>6,541,564</u>	<u>11,953,343</u>
Total Noncurrent Assets	<u>15,162,417</u>	<u>12,864,212</u>
Total Assets	<u>16,906,975</u>	<u>55,681,790</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension (Note 9)	2,005,869	
Deferred outflows related to OPEB (Note 11)	<u>105,280</u>	
Total Deferred Outflows of Resources	<u>2,111,149</u>	
LIABILITIES		
Current Liabilities:		
Accounts payable	112,966	812,373
Interest payable	31,322	
Unearned revenue	21,402	
Compensated absences, due in one year (Note 1L)	16,444	
Claims payable, due in one year (Note 13)		2,886,630
Long-term debt, due in one year (Note 6)	320,489	21,755
Subscription liabilities, due in one year (Note 14)		<u>221,166</u>
Total Current Liabilities	<u>502,623</u>	<u>3,941,924</u>
Noncurrent Liabilities:		
Compensated absences (Note 1L)	115,104	
Claims payable (Note 13)		12,900,068
Long-term debt (Note 6)	3,387,928	121,463
Net OPEB liability (Note 11)	346,143	
Net pension liability (Note 9)	3,093,111	
Subscription liabilities (Note 14)		<u>752,008</u>
Total Noncurrent Liabilities	<u>6,942,286</u>	<u>13,773,539</u>
Total Liabilities	<u>7,444,909</u>	<u>17,715,463</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension (Note 9)	705,660	
Deferred inflows related to OPEB (Note 11)	<u>66,749</u>	
Total Deferred Inflows of Resources	<u>772,409</u>	
NET POSITION (Note 8):		
Net investment in capital assets	11,454,000	11,747,820
Unrestricted	<u>(653,194)</u>	<u>26,218,507</u>
Total Net Position	<u>\$10,800,806</u>	<u>\$37,966,327</u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Fund	Governmental Activities
	Parking Services	Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$2,284,581	\$18,360,583
Other operating revenues	2,397,559	1,133,874
Total Operating Revenues	4,682,140	19,494,457
OPERATING EXPENSES		
Personnel	1,631,692	3,917,989
Insurance premiums and claims		9,012,844
Maintenance and repairs	178,555	164,010
Depreciation expense (Note 5)	225,055	1,490,782
General and administrative	1,261,236	3,832,184
Total Operating Expenses	3,296,538	18,417,809
Operating Income	1,385,602	1,076,648
NONOPERATING REVENUES (EXPENSES)		
Investment income	8,320	501,564
Miscellaneous revenue		28,976
Interest expense	(139,013)	(59,271)
(Loss) from disposal of capital assets		(712)
Total Nonoperating Revenues (Expenses)	(130,693)	470,557
Income Before Contributions and Transfers	1,254,909	1,547,205
TRANSFERS		
Transfers in (Note 3A)		3,485,000
Transfers out (Note 3A)	(521,322)	(720,016)
Net transfers	(521,322)	2,764,984
Change in Net Position	733,587	4,312,189
NET POSITION, BEGINNING OF YEAR	10,067,219	33,654,138
NET POSITION, END OF YEAR	\$10,800,806	\$37,966,327

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Fund	Governmental Activities
	Parking Services	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/other funds	\$2,284,581	\$18,378,748
Cash payments to suppliers for goods and services	(1,467,756)	(15,071,899)
Cash payments to employees for salaries and benefits	(2,392,760)	(1,367,804)
Other revenues	2,105,962	1,133,874
Cash Flows from Operating Activities	<u>530,027</u>	<u>3,072,919</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous revenues		28,976
Interfund revenues		3,485,000
Interfund payments	(521,322)	(720,016)
Cash Flows from Noncapital Financing Activities	<u>(521,322)</u>	<u>2,793,960</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on revenue bonds and note payable	(316,816)	(21,754)
Principal payments on subscription liability		(212,258)
Interest expenses and fiscal charges	(142,863)	(59,271)
Acquisition of capital assets	(106,742)	(1,463,889)
Cash Flows from Capital and Related Financing Activities	<u>(566,421)</u>	<u>(1,757,172)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8,320	501,564
Cash Flows from Investing Activities	<u>8,320</u>	<u>501,564</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(549,396)	4,611,271
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,129,447	38,177,061
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$580,051</u>	<u>\$42,788,332</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$1,385,602	\$1,076,648
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	225,055	1,490,782
Net change in assets and liabilities:		
Accounts receivable	(287,201)	18,165
Prepays		(24,786)
OPEB-related items	(34,393)	
Accounts payable	(27,965)	327,134
Unearned revenue	(4,396)	
Compensated absence obligations	23,401	
Pension-related items	(750,076)	
Claims payable		184,976
Net Cash Provided by Operating Activities	<u>\$530,027</u>	<u>\$3,072,919</u>
NON-CASH TRANSACTIONS:		
Retirement of capital assets		(712)
Amortization of bond discount	<u>\$725</u>	

See accompanying notes to basic financial statements

FIDUCIARY FUND FINANCIAL STATEMENTS
--

Fiduciary funds are used to account for assets held by the City as an agent or custodian for other entities. The financial activities of such funds are excluded from the Government-wide financial statements and present fund statements that consist of a Statement of Net Position and a Statement of Changes in Net Position.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY – PRIVATE PURPOSE TRUST FUND

Established to account for the activities of the Successor Agency to the San Rafael Redevelopment Agency.

PT. SAN PEDRO ROAD ASSESSMENT DISTRICT CUSTODIAL FUND

Established to accumulate funds for payment of principal and interest for Pt. San Pedro Road Median Landscaping Assessment District bonds.

CITY OF SAN RAFAEL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund	Pt. San Pedro Road Assessment District Custodial Fund
ASSETS		
Cash available for operations (Note 2)	\$135,693	\$241,301
Receivables:		
Taxes	65,000	752
Total Assets	200,693	242,053
LIABILITIES		
Interest payable		18,816
Total Liabilities		18,816
NET POSITION		
Restricted for:		
Bondholders	200,693	223,237
Total Net Position	\$200,693	\$223,237

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund	Pt. San Pedro Road Assessment District Custodial Fund
	<u> </u>	<u> </u>
ADDITIONS		
Property taxes	<u>\$630,000</u>	<u>\$172,083</u>
Total Additions	<u>630,000</u>	<u>172,083</u>
DEDUCTIONS		
General government	114,870	9,758
Payments to bondholders		84,100
Interest expense	<u>13,046</u>	<u>57,184</u>
Total Deductions	<u>127,916</u>	<u>151,042</u>
Change in Net Position	502,084	21,041
NET POSITION		
Beginning of year	<u>(301,391)</u>	<u>202,196</u>
End of year	<u><u>\$200,693</u></u>	<u><u>\$223,237</u></u>

See accompanying notes to financial statements



CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
--

A. *Description of the Financial Reporting Entity*

As required by generally accepted accounting principles, the financial statements present the City of San Rafael (the City) as the Primary Government, with its component units for which the City is considered financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

B. *Description of Blended Component Unit*

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council. The basic financial statements include the City's blended component units, entities for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the City's operations and so data from this entity is combined with the City. The City's blended component unit is described below.

San Rafael Joint Powers Financing Authority – The San Rafael Joint Powers Financing Authority (Authority) was formed by the City of San Rafael and the former San Rafael Redevelopment Agency (Agency) pursuant to Articles 1 and 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California for the purpose of assisting in the financing and refinancing of certain assessment district and redevelopment-related activities in the City. On March 18, 2013, the Agency was replaced by the California Municipal Finance Authority (CMFA) in order to allow the life of the Authority to extend beyond that of the Agency. The Authority is administered by a governing board whose members are the City Council of the City.

Activities of the Authority related to the 2012 Authority Lease Revenue Refunding Bonds are reported in the Parking Services Enterprise Fund. Activities of the Authority related to the 2018 Authority Lease Revenue Bonds are reported in the City's General Fund. Separate financial statements are not prepared for the Authority.

C. *Description of Discretely Presented Component Unit*

San Rafael Sanitation District – The San Rafael Sanitation District (District) was formed in 1947 under Section 4700 of the California Health and Safety Code to provide wastewater transmission over the southern two-thirds of the City and adjacent unincorporated areas.

The District is governed by a three-member Board of Directors who are appointed to four-year terms. The City Council of the City appoints two out of the three board members and has the ability to remove the two board members at will.

The City contracts with the District to maintain the collection systems in the City and surrounding unincorporated areas. These employees are paid through the City's payroll department and participate in the City's cost-sharing multiple-employer defined benefit pension plan administered by the Marin County Employees' Retirement Association. The employees also participate in the City's healthcare benefits plan which includes a provision for postemployment benefits. These costs are the obligation of the District and not the City. As discussed in Note 4G, a receivable from the District has been established.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

The District's activities are reported as a discretely presented component unit in a separate column in the basic financial statements which includes the District's assets, liabilities, revenues, expenses, and results of operations. The District's fiscal year ends on June 30 and its separately issued component unit financial statements can be obtained at the San Rafael Sanitation District, 111 Morpew Street, San Rafael, California 94901.

D. Basis of Presentation

Government-wide Statements – The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Interfund transfers and amounts owed between funds within the primary government have been eliminated from the statements. Amounts representing interfund services and uses remain in the statements. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

E. Major Funds and Other Reported Funds

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

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

General Fund – Established to account for all financial resources necessary to carry out basic governmental activities of the City which are not accounted for in another fund.

Traffic and Housing Mitigation Special Revenue Fund – Established to maintain long-term developer contributions for major housing and street improvement projects.

Gas Tax Special Revenue Fund – Established to receive and expend the City’s allocation of State gasoline taxes.

Essential Facilities Capital Projects Fund – Established to account for major capital improvements to public safety facilities.

The City reported its only enterprise fund as a major fund in the accompanying financial statements. The enterprise fund is:

Parking Services Fund – Established to maintain parking garages, lots, and spaces in the Downtown Parking District, and to pay for parking enforcement, meter collection, and downtown enforcement services.

The City also reports the following fund types:

Internal Service Funds – These funds account for: building maintenance; vehicle, equipment, radio, and telephone replacement; employee benefits; liability insurance; workers’ compensation; dental insurance; employee retirement; retiree medical (OPEB); and sewer maintenance.

Fiduciary Funds – These funds include: *Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund* – which accounts for the accumulation of resources held by the Successor Agency to the Redevelopment Agency to be used for payments at appropriate amounts and times in the future; and *Pt. San Pedro Road Assessment District Custodial Fund* – which accumulates funds for the payment of principal and interest for Pt. San Pedro Road Median Landscaping District bonds. The financial activities of these funds are excluded from the government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

F. Basis of Accounting

The government-wide, proprietary, fiduciary and discretely presented component unit 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

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 year-end with the exception of sales and use tax revenues which are reported as available if collected within ninety days of year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, including lease and subscription liabilities, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions, including entering into contracts giving the City the right-to-use leased assets, are reported as *expenditures* in governmental funds. Proceeds from long-term debt and financing through leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property and sales taxes, certain intergovernmental revenues, interest revenue, charges for services, fines, and forfeitures. Other receipts and taxes are recognized as revenue when the cash is received.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenue. Thus, both restricted and unrestricted net position may be made available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The City considers restricted shared state revenues such as gasoline taxes and public safety sales taxes, restricted locally imposed transportation sales taxes, fines, forfeitures, licenses, permits, charges for services, and program grants as program revenues.

Certain indirect costs are included in program expenses reported for individual functions and activities.

G. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. *Unavailable revenue*, a type of deferred inflow of resources, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from intergovernmental receivables and deferred amounts related to leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

H. Budgets, Budgetary Accounting, and Encumbrances

The City adopts an annual budget which is effective July 1 for the ensuing fiscal year. The budget reflects estimated revenues and expenditures, except for the capital projects funds. Appropriations and spending authorizations for projects in the capital projects funds and some special revenue funds are approved by the City Council on a multi-year basis. From the effective date of the budget, which is adopted at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year in order to respond to emerging needs, changes in resources, or shifting priorities. Expenditures may not exceed appropriations at the fund level, which is the legal level of control. The City Manager is authorized to transfer budgeted amounts between accounts, departments, or funds; the Council must approve any increase in the City's operating expenditures, appropriations for capital projects, and transfers between major funds and reportable fund groups.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the General Fund and Special Revenue Funds.

Encumbrance accounting, under which purchase orders for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process. All unencumbered appropriations lapse at year end.

I. Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including all restricted assets) with maturities of three months or less when purchased to be cash equivalents. The City maintains a cash and investment pool that is available for use by all funds. As the proprietary funds' share of this pool is readily available when needed, such share is also considered to be cash equivalent.

J. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

K. Capital Assets

City

Contributed capital assets are valued at their estimated acquisition value on the date contributed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. All other capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available, except for intangible right-to-use lease assets and intangible right-to-use subscription assets, the measurement of which is discussed in Note 1R and Note 1S, respectively, below. Major outlays for capital assets and improvements are capitalized as projects are constructed.

City policy has set the capitalization thresholds for reporting capital assets at the following:

General capital assets	ranging from \$5,000 to \$50,000
Infrastructure capital assets	ranging from \$25,000 to \$250,000

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 year until the asset is fully depreciated. 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 year represents that year's pro rata share of the cost of capital assets.

The City has assigned the useful lives listed below to capital assets:

Buildings, improvements, and structures	20 – 50 years
Machinery and equipment	4 – 20 years
Infrastructure	15 – 50 years
Right to use leased building	35 years
Right to use leased equipment	1.5 – 5 years
Right to use subscription asset	5 – 10 years

District

Collection systems and facilities purchased or constructed are stated at cost. Assets contributed are recorded at the estimated acquisition value at the date received. Interest is capitalized for assets constructed when applicable. The costs of normal repairs and maintenance that do not add to the value of an asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Applicable capital assets must be capitalized for amounts \$1,000 or above and may be capitalized for amounts from \$500 to \$1,000 if determined to be sensitive. Depreciation is provided by the straight-line method over the estimated useful lives of capital assets as follows:

Subsurface lines	50 – 80 years
Sewage collection facilities	5 – 50 years
General plant and administrative facilities	3 – 15 years

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

Compensated absences are accrued as earned. Upon termination, employees are paid for all unused vacation at their current hourly rates. Unused sick leave may be compensable up to 600 hours, depending upon the provisions of the MOUs, which vary by bargaining unit.

The long-term portion of the liability for compensated absences for governmental fund type operations is recorded as compensated absences in the government-wide financial statements. Compensated absences are liquidated by the fund that has recorded the liability. Proprietary fund liabilities are recorded within their respective funds. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

The changes in compensated absences as of June 30, 2023 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$4,287,811	\$108,147	\$4,395,958
Additions	3,003,055	90,749	3,093,804
Payments	(3,060,721)	(67,348)	(3,128,069)
Ending Balance	<u>\$4,230,145</u>	<u>\$131,548</u>	<u>\$4,361,693</u>
Current Portion	<u>\$528,768</u>	<u>\$16,444</u>	<u>\$545,212</u>

M. Property Tax Levy, Collection and Maximum Rates – City

State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts. Marin County assesses properties, bills for, and collects property taxes on the schedule that follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Unsecured property comprises all taxable property not attached to land, such as personal property or business property. Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer.

Property taxes are levied and recorded as revenue when received in the fiscal year of levy because of the adoption of the “alternate method of property tax distribution,” known as the Teeter Plan, by the City and the County of Marin. The Teeter Plan authorized the auditor-controller of the County of Marin to allocate 100% of the secured property taxes billed, but not yet paid. The County of Marin remits tax monies to the City in three installments, as follows:

55% remitted on December 15
40% remitted on April 15
5% remitted on June 15

N. Sewer Charges – District

Sewer charges are billed and collected on behalf of the District by the County of Marin as a special assessment on annual property tax billings. Property taxes are levied on January 1 and are due in two equal installments on November 1 and February 1 and become delinquent December 10 and April 10, for the first and second installments, respectively. In accordance with the Teeter Plan, the County remits to the District all charges which are assessed and the county retains responsibility for collecting past due amounts.

The Teeter Plan provides that the County advance the District its share of the annual gross levy of secured property taxes and special assessments. In consideration, the District gives the County of Marin its rights to penalties and interest on delinquent secured property tax receivables and actual proceeds collected.

O. Connection Fees – District

Connection fees represent a one-time contribution of resources to the District imposed on contractors and developers for the purpose of financing capital improvements. Connection fees are recognized after non-operating revenues (expenses) in the statement of revenues, expenses, and changes in net position. The District utilizes connection fees received on a first-in-first-out basis to finance current year capital projects. Accordingly, if there is a balance of connection fees available at year-end, it is classified as restricted net position.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

P. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

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

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

R. Leases

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment.

Lessee – The City is a lessee for noncancelable leases of equipment and land. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities in accordance with the capitalization policy for the underlying asset as discussed in Note 1K.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lesser of its useful life or the life of the lease agreement.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments as follows:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise, if applicable.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term lease liabilities on the statement of net position.

Lessor – The City is a lessor for noncancellable leases of certain buildings and land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

S. *Subscription-Based Information Technology Arrangements (SBITAs)*

A Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments as follows:

- The City uses the interest rate charged by the IT vendor as the discount rate. When the interest rate charged by the IT vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscription liabilities.
- The subscription term includes the noncancellable period of the subscription.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

T. *New Accounting Pronouncements*

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The provisions of this Statement were implemented during fiscal year 2023. As part of the implementation of this Statement, the City has accounted for certain subscription transactions, which require the restatement of beginning net position of the governmental activities capital assets and subscription liabilities in the amount of \$1,559,451, and the net effect on beginning net position and fund balance is zero. See the subscription disclosure in Note 14.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS

A. Policies

The City maintains an investment policy that emphasizes safety, liquidity, and reasonable market yield. This policy is reviewed and approved by the City Council annually.

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the trust department of a bank as the custodian of certain City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments as of June 30, 2023, are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

Statement of Net Position:

City of San Rafael:

Cash and investments available for operations	\$108,996,490
Restricted cash and investments	<u>707,371</u>
Total Primary Government Cash and Investments	<u>109,703,861</u>

San Rafael Sanitation District (Component Unit):

Cash and investments available for operations	<u>47,632,637</u>
Total San Rafael Sanitation District Cash and Investments	<u>47,632,637</u>

Statement of Fiduciary Net Position (separate statement):

Successor Agency to the Redevelopment Agency Private Purpose Trust Fund:

Cash available for operations	<u>135,693</u>
-------------------------------	----------------

Pt. San Pedro Road Assessment District Custodial Fund:

Cash available for operations	<u>241,301</u>
Total Fiduciary Fund Cash and Investments	<u>376,994</u>
Total Cash and Investments	<u><u>\$157,713,492</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (Continued)

The City does not normally allocate investments by fund. Each proprietary fund's portion of Cash and Investments Available for Operations is in substance a demand deposit available to finance operations and is considered a cash equivalent in preparing the statement of cash flows.

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's investment policy and the California Government Code allow the City to invest in the following securities provided the credit ratings of the issuers are acceptable to the City and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality (a)	Maximum Percentage of Portfolio (a)	Maximum Investment in One Issuer
U.S. Government Obligations	5 years	N/A	No limit	No limit
Federal Agency Securities and Instruments	5 years	N/A	No limit	No limit
Repurchase Agreements	1 year	N/A	No limit	No limit
Prime Commercial Paper	270 days	A-1	25%	10% of total outstanding commercial paper and 5% of portfolio \$2,000,000
Banker's Acceptances	180 days	A-1	40%	5% of portfolio
Medium-Term Corporate Notes	5 years	A	30%	5% of portfolio
Negotiable Certificates of Deposit	5 years	A-1	30%	5% of portfolio
Non-negotiable Certificates of Deposit	5 years	N/A	30%	5% of portfolio
Local Agency Investment Fund	N/A	N/A	N/A	\$75m per Account
Money Market Funds	N/A	AAA	10%	N/A
Mortgage and Asset-Backed Obligations	5 years	AA	20%	N/A
Supranational Securities	5 years	AA	15%	N/A
Limited Obligation Improvement Bonds Related to Special Assessment Districts and Special Tax Districts issued by the City of San Rafael	30 years	N/A	N/A	N/A

(a) At time of purchase

The San Rafael Sanitation District maintains all of its cash in the County of Marin pooled investment fund for the purpose of increasing interest earnings through pooled investment activities.

The County Pool includes both voluntary and involuntary participation from external entities. The District is a voluntary participant. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The District has approved by resolution, the investment policy of the County of Marin which complies with the California Government Code.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if there are insufficient resources to meet debt repayment obligations. The California Government Code requires these funds to be invested in accordance with City ordinance bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality (a)	Maximum Percentage of Portfolio
U.S. Treasury Obligations	5 years to no maximum	N/A	No Limit
U.S. Agency Securities	3 - 5 years	N/A	No Limit
U.S. Agency Instruments	5 years	N/A	No Limit
Repurchase Agreements	1 year	A-1	No Limit
Bankers' Acceptances	360 days	Highest Category Rating	No Limit
Money Market Mutual Funds	N/A	Highest Category Rating	No Limit
Prime Commercial Paper	270 days	Highest Category Rating	No Limit
Guaranteed Investment Contracts (fully collateralized) (b)	N/A	Highest Category Rating	No Limit
Medium-Term Corporate Notes	5 Years	A	No Limit
Non-Negotiable Certificates of Deposit	180 Days	N/A	No Limit
Negotiable Certificates of Deposit	5 Years	N/A	No Limit
Local Agency Investment Fund	N/A	N/A	No Limit
California Asset Management Program	N/A	N/A	No Limit
Deposit Accounts	N/A	A	No Limit
State or Local Bonds	N/A	A	No Limit
Defeasance Securities	N/A	N/A	No Limit

(a) At time of purchase.

(b) Guaranteed Investment Contracts must be fully collateralized with U.S. Treasury Obligations or U.S. Agency Obligations.

Source: PYFS; In FY 2021, eliminated Muni, State and Local Bonds because those should not be listed here.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Fair Value Hierarchy

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2023:

	(a) Level 1	(b) Level 2	(c) Level 3	Total
City:				
Money Market Funds		\$1,470,184		\$1,470,184
U.S. Government Obligations	\$15,306,615			15,306,615
Federal Agency Securities and Instruments		8,669,294		8,669,294
Medium-Term Corporate Notes		19,536,092		19,536,092
Investment in Pt. San Pedro Bonds			\$949,493 (d)	949,493
	<u>\$15,306,615</u>	<u>\$29,675,570</u>	<u>\$949,493</u>	45,931,679
<i>Investments Exempt from Fair Value Hierarchy:</i>				
Local Agency Investment Fund				50,235,434
Marin County Investment Pool				<u>82,372</u>
Total Investments				<u>96,249,484</u>
<i>Cash in banks and on hand</i>				<u>13,454,377</u>
Total City Cash and Investments				<u>109,703,861</u>
Fiduciary:				
<i>Cash in banks</i>				<u>376,994</u>
Total Fiduciary Cash				<u>376,994</u>
Total City and Fiduciary Cash and Investments				<u>110,080,855</u>
San Rafael Sanitation District:				
<i>Marin County Investment Pool</i>				<u>47,632,637</u>
District's Total Cash and Investments				<u>47,632,637</u>
Total Cash and Investments				<u>\$157,713,492</u>

Source: The above GASB 72 Classifications in the different input levels are provided by US Bank.

- (a) Level 1 inputs are quoted prices in active market for identical assets. These are quoted prices in active markets for identical assets at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- (b) Level 2 inputs are significant other observable inputs. These inputs include: a) Quoted prices for similar assets in active markets; b) Quoted prices for identical or similar assets in markets that are not active; and c) Inputs other than quoted prices that are observable for an asset.
- (c) Level 3 inputs are significant unobservable inputs. These inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.
- (d) This pertains to the City-owned bonds of its investments in Pt. San Pedro Special Assessment District that has no trading market and is thus listed under Level 3. This bond is valued using discounted cash flow techniques.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (Continued)

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City also manages its interest rate risk by holding most investments to maturity, thus reversing unrealized market gains and losses.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Type of Investment	12 Months or Less	More than 12 Months	Total
City:			
Money Market Funds	\$1,470,184		\$1,470,184
Local Agency Investment Fund	50,235,434		50,235,434
Marin County Investment Pool	82,372		82,372
U.S. Government Obligations	5,955,576	\$9,351,039	15,306,615
Federal Agency Securities and Instruments	3,656,808	5,012,486	8,669,294
Medium-Term Corporate Notes	6,842,781	12,693,312	19,536,092
Investment in Pt. San Pedro Bonds		949,493	949,493
Total Investments	<u>\$68,243,154</u>	<u>\$28,006,330</u>	<u>96,249,484</u>
<i>Cash in banks and on hand</i>			<u>13,454,377</u>
Total City Cash and Investments			<u>109,703,861</u>
Fiduciary:			
<i>Cash in banks</i>			<u>376,994</u>
Total Fiduciary Cash			<u>376,994</u>
Total City and Fiduciary Cash and Investments			<u>110,080,855</u>
San Rafael Sanitation District:			
<i>Marin County Investment Pool</i>			<u>47,632,637</u>
Total District's Cash and Investments			<u>47,632,637</u>
Total Cash and Investments			<u>\$157,713,492</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of \$5,000, a maximum transaction amount of \$75 million and at least 24 hours advance notice for withdrawals of \$10 million or more.

Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2023, these investments matured in an average of 260 days.

Money Market Mutual Funds are available for withdrawal on demand. The investment portfolio of the Money Market Mutual Fund had an average maturity of 12 days per August fact sheet.

The County's investment pool is not registered with the Securities and Exchange Commission as an investment company. The pool has a credit rating of "AAA/V1." Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs, and fair value.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (Continued)

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2023, for each of the City's or District's investment types as provided by Standard and Poor's or Moody's investment rating systems, except as noted:

Investments	Amount Invested	Percentage of Investments	NRSRO Rating
City:			
Money Market Funds	\$1,470,184	2%	AAAm
Marin County Investment Pool	82,372	< 1%	AAA/V1
U.S. Government Obligations	15,306,615	16%	AAA
Federal Agency Securities and Instruments	8,669,294	9%	AAA
Medium-Term Corporate Notes	19,536,092	20%	AAA, AA2, AA3, A1, A2, A3
Local Agency Investment Fund	50,235,434	52%	Not Rated
Investment in Pt. San Pedro Bonds	949,493	1%	Not Rated
Total City Investments	96,249,484		
San Rafael Sanitation District:			
Marin County Investment Pool	47,632,637		AAA/V1
Total Investments	\$143,882,121		

H. Concentration Risk

Investments in the securities of any individual issuers, other than U.S. Treasury securities, mutual funds, and external investment pools, that represent 5% or more of the total entity-wide investments are as follows at June 30, 2023:

Reporting Unit	Issuer	Investment Type	Amount	Percentage of Investments
Entity-wide	Federal Home Loan Bank	Federal Agency Securities and Instruments	\$6,122,080	6%

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 3 – INTER-FUND TRANSACTIONS

A. Transfers

Resources may be transferred from one City fund to another. Transfers routinely fund capital projects or capital outlays, lease or debt service payments, and operating expenses.

Transfers between funds during the fiscal year ended June 30, 2023, were as follows:

From Fund	To Fund	Amount
General Fund	Essential Facilities Capital Projects Fund	\$586,926 (A)
	Non-Major Governmental Funds	12,721,200 (A) (B)
	Internal Service Funds	3,485,000 (A)
Gas Tax Special Revenue Fund	Traffic and Housing Mitigation Special Revenue Fund	8,897 (B)
Parking Services Enterprise Fund	General Fund	436,322 (C)
	Non-Major Governmental Funds	85,000 (A)
Internal Service Funds	General Fund	683,750 (C)
	Gas Tax Special Revenue Fund	25,013 (A)
	Non-Major Governmental Funds	11,253 (A)
Non-Major Governmental Funds	General Fund	11,070 (B)
	Gas Tax Special Revenue Fund	7,387 (B)
		<u>\$18,061,818</u>

(A) Transfers for administrative costs, grant matching, recreation, and other program support.

(B) Transfers for project support.

(C) Transfers for debt service.

NOTE 4 – LOANS AND LEASES RECEIVABLE

A. Summary of Loans Receivable

The City has identified the portion of fund balance represented by these loans as nonspendable or restricted as discussed in Note 8. As of June 30, 2023, these loans consisted of the following:

Employee Loans	\$1,059
Centertown Associates	936,446
3301 Kerner	862,774
One "H" Street Associates	28,574
Vivalon	1,893,438
Total	<u><u>\$3,722,291</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 4 – LOANS AND LEASES RECEIVABLE (Continued)

B. *Employee Loans*

The City administers a computer loan program that supports the use of technology by employees. Employees are permitted to borrow up to \$1,500 for the purchase of computer hardware and software. The loans are interest-free, have maximum terms of one year, and are repaid through automatic payroll deductions. As of June 30, 2023, the balance of the employee loans receivable was \$1,059.

C. *Centertown Associates Loan*

On August 20, 1990, the former Redevelopment Agency loaned Centertown Associates, Ltd, \$303,000 at 3% interest due semiannually for the construction of a 60-unit affordable apartment complex and was fully secured by a deed of trust. With the dissolution of the Redevelopment Agency effective February 1, 2012, the assets of the Agency's Low and Moderate Income Housing Fund, including the Centertown Associates loan, were assumed by the City's Low and Moderate Income Housing Special Revenue Fund. On October 22, 2021, City Council approved the Amended and Restated Promissory Note for the loan. The amendment extended the due date to October 22, 2078, for the original loan balance of \$266,781 consisting of \$219,982 in remaining principal and \$46,799 in accrued interest as of the date of the amended loan agreement. In addition, the amendment included an additional loan in the amount of \$643,095 for a ground lease for certain land located at 855 C Street, currently improved with approximately sixty units of affordable housing. Interest is compounded at 1.74% annually and is repayable from residual receipts as defined under the agreement. Repayment is due on October 22, 2078. The amended note is secured by a Leasehold Deed of Trust with Assignment of Rents and Security Agreement on the Property. As of June 30, 2023, the balance of the loan including principal and accrued interest was \$936,446.

D. *3301 Kerner Loan*

On March 21, 2023, the City entered into a loan agreement in the amount of \$857,500 to fund the construction of a 41-unit multifamily rental housing development affordable to homeless or formerly homeless households with mental illness at rents affordable to extremely low- and very low- income households. The term is the later of (a) the fifty-seventh anniversary of the date the Deed of Trust is recorded in the Recorder's Office of Marin County or (b) the fifty-fifth anniversary of the date on which construction financing is converted into permanent financing.

Annual payments equal to the City's proportionate share of residual receipts attributable to the prior calendar year are due beginning June 1st after the end of the calendar year of the date that the construction loan for the property converts to a permanent loan. The note is secured by a Deed of Trust. As of June 30, 2023, the balance of the loan and accrued interest was \$862,774.

E. *One "H" Street Associates Loan*

On January 18, 1994, the City loaned One "H" Street Associates \$100,000 at zero percent interest with annual payments of \$2,857 and the final payment is due January 18, 2034. As of June 30, 2023, the balance of this loan was \$28,574.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 4 – LOANS AND LEASES RECEIVABLE (Continued)

F. *Vivalon Loan*

On April 1, 2022, the City entered into a loan agreement in the amount of \$1,825,000 to fund construction of the Vivalon Healthy Aging Center located at 999 3rd Street. The site will include 66 one-bedroom and studio units for older adults and approximately 20% of the units will be supportive housing. The term is the later of (a) the fifty-seventh anniversary of the date the Deed of Trust is recorded in the Recorder's Office of Marin County or (b) the fifty-fifth anniversary of the date on which construction financing is converted into permanent financing. Annual payments equal to the City's proportionate share of residual receipts attributable to the prior calendar year are due beginning June 1st after the end of the calendar year that the construction loan for the property converts to a permanent loan. The note is secured by a Deed of Trust. As of June 30, 2023, the balance of the loan and accrued interest was \$1,893,438.

G. *Other Receivables – Long-Term Receivable from San Rafael Sanitation District*

The City provides staffing to San Rafael Sanitation District (District) under a contractual arrangement originated in 1987 that requires the District to pay all related employee costs incurred by the City on its behalf. Accordingly, the cost of providing pension and post-employment health benefits incurred by the City for the District staff but not yet funded are reflected by the District as an obligation, and by the City as a noncurrent receivable. The obligation as of June 30, 2023, is \$2,002,944, and is composed of the following:

Defined benefit pension liability allocation	\$1,403,972
Other post-employment benefit liability allocation	<u>598,972</u>
Total long-term receivable from San Rafael Sanitation District	<u><u>\$2,002,944</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 4 – LOANS AND LEASES RECEIVABLE (Continued)

H. Leases Receivable

The City from time to time engages in lease arrangements allowing the right for others to use various owned land and buildings for the public benefit. As of June 30, 2023, these leases and related deferred inflows of resources consisted of the following:

	Leases Receivable	Deferred Inflows of Resources
Marin History Museum	\$42,363	\$39,939
Yacht Club	177,143	169,488
Trans Bay Cable	276,042	260,196
Total	<u>\$495,548</u>	<u>\$469,623</u>

On August 1, 2021, the City began leasing a building to the Marin History Museum with monthly payments of \$1,200 - \$1,260 through July 1, 2026. The City recognized \$12,953 in lease revenue and \$2,444 in interest revenue during the current fiscal year related to this lease. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

On April 1, 2014, the City began leasing property to the San Rafael Yacht Club. The lease was extended during fiscal year 2022 and lease payments are due annually with an initial amount of \$28,699 commencing March 31, 2022. Lease payments are to be increased by 5% every two years thereafter, until the end of the lease on March 31, 2029. The City recognized \$28,248 in lease revenue and \$4,036 in interest revenue during the current fiscal year related to this lease. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

On January 1, 2007, the City began leasing land to a third party for a cable operation. Lease payments are due annually with an initial amount of \$33,500 commencing March 31, 2022. Lease payments are to be increased by 3% every year thereafter, until the end of the lease on January 1, 2031. The City recognized \$32,525 in lease revenue and \$9,045 in interest revenue during the current fiscal year related to this lease. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 5 – CAPITAL ASSETS

Changes in capital assets during the fiscal year consisted of:

	Balance June 30, 2022 (as restated)	Additions	Retirements	Transfers	Balance June 30, 2023
Governmental Activities					
Capital assets not being depreciated:					
Land	\$84,025,659				\$84,025,659
Construction in progress	22,485,220	\$23,773,676		(\$3,676,791)	42,582,105
Total capital assets not being depreciated	106,510,879	23,773,676		(3,676,791)	126,607,764
Capital assets being depreciated:					
Land improvements	9,762,567			1,089,012	10,851,579
Buildings and structures	119,165,142				119,165,142
Machinery and equipment	20,497,081	1,548,080	(\$51,909)	23,238	22,016,490
Infrastructure	234,558,558			2,564,541	237,123,099
Intangible right-to-use leased building	5,476,219				5,476,219
Intangible right-to-use leased equipment	258,365				258,365
Intangible right-to-use subscription asset	1,559,451				1,559,451
Total capital assets being depreciated	391,277,383	1,548,080	(51,909)	3,676,791	396,450,345
Less accumulated depreciation and amortization for:					
Land improvements	(7,351,565)	(68,114)			(7,419,679)
Buildings and structures	(27,057,991)	(2,862,973)			(29,920,964)
Machinery and equipment	(15,107,704)	(1,036,353)	51,197		(16,092,860)
Infrastructure	(151,545,971)	(5,654,685)			(157,200,656)
Intangible right-to-use leased building	(156,463)	(156,464)			(312,927)
Intangible right-to-use leased equipment	(80,740)	(80,740)			(161,480)
Intangible right-to-use subscription asset		(285,924)			(285,924)
Total accumulated depreciation and amortization	(201,300,434)	(10,145,253)	51,197		(211,394,490)
Total net capital assets being depreciated and amortized	189,976,949	(8,597,173)	(712)	3,676,791	185,055,855
Total governmental activity capital assets	\$296,487,828	\$15,176,503	(\$712)		\$311,663,619

During fiscal year 2023, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which required the restatement of capital assets, specifically to incorporate an intangible right-to-use subscription asset. As a result, an initial right-to-use subscription asset was recorded in the amount of \$1,559,451 as of July 1, 2022. The subscription asset is offset with a subscription liability as discussed in Note 14.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance June 30, 2022	Additions	Balance June 30, 2023
Business-type Activities			
Capital assets not being depreciated:			
Land	\$8,620,853		\$8,620,853
Total capital assets not being depreciated	8,620,853		8,620,853
Capital assets being depreciated:			
Buildings and structures	10,713,814		10,713,814
Machinery and equipment	940,164	\$106,742	1,046,906
Total capital assets being depreciated	11,653,978	106,742	11,760,720
Less accumulated depreciation for:			
Buildings and structures	(4,126,773)	(205,362)	(4,332,135)
Machinery and equipment	(867,328)	(19,693)	(887,021)
Total accumulated depreciation	(4,994,101)	(225,055)	(5,219,156)
Total net capital assets being depreciated	6,659,877	(118,313)	6,541,564
Total business-type activity capital assets	\$15,280,730	(\$118,313)	\$15,162,417
	Balance June 30, 2022	Additions	Balance June 30, 2023
San Rafael Sanitation District			
Capital assets not being depreciated:			
Land and easements	\$115,329		\$115,329
Construction in progress	822,409	\$6,831,368	7,653,777
Total capital assets not being depreciated	937,738	6,831,368	7,769,106
Capital assets being depreciated:			
Subsurface lines	45,494,507	67,028	45,561,535
Sewage collection facilities	47,915,613	67,417	47,983,030
General plant and administration	2,366,681		2,366,681
Total capital assets being depreciated	95,776,801	134,445	95,911,246
Less accumulated depreciation for:			
Subsurface lines	(14,149,281)	(594,559)	(14,743,840)
Sewage collection facilities	(25,298,589)	(1,721,972)	(27,020,561)
General plant and administration	(1,699,220)	(126,741)	(1,825,961)
Total accumulated depreciation	(41,147,090)	(2,443,272)	(43,590,362)
Total net capital assets being depreciated	54,629,711	(2,308,827)	52,320,884
Total District's capital assets	\$55,567,449	\$4,522,541	\$60,089,990

Capital Asset Contributions – Some capital assets may have been acquired using Federal and State grant funds, or were contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Activities	
General government	\$92,586
Public safety	899,801
Public works and parks	6,919,199
Community development	51,080
Culture and recreation	691,805
Internal service funds	<u>1,490,782</u>
Total Governmental Activities	<u>\$10,145,253</u>
Business-type Activities	
Parking services	<u>\$225,055</u>
Total Business-type Activities	<u>\$225,055</u>

NOTE 6 – LONG TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2023, are as follows:

	Authorized and Issued	Balance June 30, 2022	Retirements	Balance June 30, 2023	Current Portion
Governmental Activities Bonds:					
2018 Authority Lease Revenue Bonds 4.00%-5.00%, due 6/1/2034 Add: unamortized bond premium	\$45,485,000	\$41,505,000 6,095,322	\$2,240,000 507,943	\$39,265,000 5,587,379	\$2,435,000
2010 Taxable Pension Obligation Bonds 6.00%-6.25%, due 7/1/2025	4,490,000	<u>2,340,000</u>	<u>535,000</u>	<u>1,805,000</u>	<u>565,000</u>
Total Governmental Activities Bonds		<u>49,940,322</u>	<u>3,282,943</u>	<u>46,657,379</u>	<u>3,000,000</u>
Governmental Activities - Direct Borrowings:					
PG & E City Hall HVAC Retrofit Note Payable 0.00%, due 11/30/2023	334,585	46,158	33,280	12,878	12,878
PG & E CEC Efficiency Note Payable 1.00%, due 12/22/2026	1,104,799	679,424	148,362	531,062	149,836
PG & E Energy Efficient Lighting Project Note Payable 0.00% due 1/20/30	174,036	<u>164,972</u>	<u>21,754</u>	<u>143,218</u>	<u>21,755</u>
Total Governmental Activities - Direct Borrowings		<u>890,554</u>	<u>203,396</u>	<u>687,158</u>	<u>184,469</u>
Total Governmental Activities Debt		<u>\$50,830,876</u>	<u>\$3,486,339</u>	<u>\$47,344,537</u>	<u>\$3,184,469</u>
Business-type Activities:					
Direct Borrowing:					
PG & E Parking Lot Lighting Retrofit Note Payable 0.00%, due 11/30/2023	66,380	<u>\$7,305</u>	<u>\$6,816</u>	<u>\$489</u>	<u>\$489</u>
2012 Authority Lease Revenue Refunding Bonds 2.00-4.00%, due 4/1/2033 Less: unamortized bond discount	6,750,000	4,025,000 (7,797)	310,000 (725)	3,715,000 (7,072)	320,000
Total Business-type Activities Bonds		<u>4,017,203</u>	<u>309,275</u>	<u>3,707,928</u>	<u>320,000</u>
Total Business-type Activities		<u>\$4,024,508</u>	<u>\$316,091</u>	<u>\$3,708,417</u>	<u>\$320,489</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 6 – LONG-TERM DEBT (Continued)
--

A. *2018 Authority Lease Revenue Bonds*

On March 5, 2018, the Authority issued 2018 Authority Lease Revenue Bonds in the amount of \$45,485,000 bearing interest at rates from 4.00% to 5.00%. The proceeds of the bonds were provided for replacement of two fire stations and construction of a public safety center. The Authority has pledged revenue pursuant to a site and facility lease between the City and the Authority for the public safety center. The lease rental payments are due semi-annually and are in an amount sufficient to make payments on the Bonds. Principal payments are due annually on June 1 and interest is payable semiannually on June 1 and December 1. The Bonds maturing on or prior to June 1, 2028, are not subject to optional redemption prior to their maturity. The Bonds maturing on or after June 1, 2029, are subject to optional redemption as a whole or in part on any date after June 1, 2028, at the option of the Authority, at a redemption price equal to the principal amount of the Bonds subject to redemption, plus accrued interest to the date fixed for redemption, without premium.

The Bonds are payable from any source of available funds of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City.

B. *2010 Taxable Pension Obligation Bonds*

On July 1, 2010, the City issued 2010 Taxable Pension Obligation Bonds in the amount of \$4,490,000 bearing interest at rates from 6.00% to 6.25%. Principal payments are due annually on July 1 and interest is payable semiannually on January 1 and July 1. The Bonds were issued to prefund a portion of the obligations of the City to the Marin County Employees' Retirement Association. Payment of the principal and interest on the Bonds is not limited to any special source of funds and is payable from any legally available moneys of the City. The City is not empowered or obligated to levy or pledge taxes to make payments on the Bonds. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City.

C. *Pacific Gas and Electric Notes Payable*

PG&E HVAC and Lighting Retrofit

On September 30, 2013, the City executed a note payable agreement with Pacific Gas and Electric (PG&E) in the amount of \$634,861, which does not bear interest. The debt was assumed as a means to finance energy-efficient retrofit projects which include updating the existing heating, ventilation, and air conditioning (HVAC) unit in City Hall and converting the street and parking lot lights to light emitting diode (LED). \$334,585 of the loan is for the HVAC projects and \$300,276 of the loan is for the LED projects. Repayment of the loan commenced in December 2013, and is due monthly until paid in full in 2023.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 6 – LONG-TERM DEBT (Continued)

PG&E CEC Efficiency

On September 5, 2017, City Council approved the execution of a note payable agreement with PG&E in an amount up to \$1,178,813, bearing interest at 1%. The debt was assumed as a means to finance the execution of various energy efficiency system upgrades to City facilities and street lights. The upgrades included interior and exterior lighting upgrades and energy management control systems. The City made the final draw on the loan and the final loan obligation was \$1,104,799. Payments commenced in December 2019, and are due semi-annually until paid in full in December 2026.

PG&E Energy Efficient Lighting Project

On September 20, 2021, the City executed a note payable agreement with PG&E in the amount of \$174,036, which does not bear interest. The debt was assumed as a means of financing energy efficient lighting for the Al Boro recreation center and the department of Public Works building. Repayment of the loan commenced in February 2022 and payments are due monthly until paid in full in January 2030.

D. 2012 Authority Lease Revenue Refunding Bonds

On August 7, 2012, the Authority issued 2012 Authority Lease Revenue Refunding Bonds in the amount of \$6,750,000 bearing interest at rates from 2.00% to 4.00%. The proceeds of the Series 2012 Bonds were used to repay the Authority's 2003 Authority Lease Revenue Bonds that financed the construction of the 3rd and C Street parking structure and achieved lower interest rates and lower annual debt service payments. The refunding resulted in a net present value savings to the City in debt service of \$670,496. In addition, the requisition price exceeded the net carrying amount of the old debt by \$295,278. The Series 2012 Bonds are payable from lease payments made by the City to the Authority for leasing the City facilities. The rights to these lease payments have been irrevocably transferred by the Authority to the Trustee. Activities related to the Series 2012 Bonds are reported in the Parking Services Enterprise Fund. Principal payments are due annually on April 1 and interest is payable semiannually on October 1 and April 1. The Bonds maturing on or prior to April 1, 2022, are not subject to optional redemption prior to their maturity. The Bonds maturing on or after April 1, 2023, are subject to optional redemption as a whole or in part on any date after April 1, 2022, at the option of the Authority, at a redemption price equal to the principal amount of the Bonds subject to redemption, plus accrued interest to the date fixed for redemption, without premium.

The Bonds are payable from any source of available funds of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 6 – LONG-TERM DEBT (Continued)

E. Future Debt Service

Future debt service requirements, including interest, at June 30, 2023, are as follows:

For the Year Ended June 30	Governmental Activities			
	Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$3,000,000	\$2,058,406	\$184,469	\$4,951
2025	3,245,000	1,900,250	173,106	3,436
2026	3,510,000	1,729,256	174,623	1,919
2027	3,105,000	1,565,750	98,762	386
2028	3,355,000	1,410,500	21,755	
2029 - 2033	21,025,000	4,262,500	34,443	
2034 - 2035	3,830,000	191,500		
Totals	41,070,000	\$13,118,162	687,158	\$10,692
Reconciliation of Long-term debt:				
Add: unamortized premium	5,587,379			
	<u>\$46,657,379</u>		<u>\$687,158</u>	

For the Year Ended June 30	Business-type Activities		
	Bonds		Direct Borrowing
	Principal	Interest	Principal
2024	\$320,000	\$134,288	\$489
2025	330,000	124,288	
2026	335,000	113,562	
2027	350,000	102,256	
2028	360,000	90,006	
2029 - 2033	2,020,000	241,806	
Totals	3,715,000	\$806,206	489
Reconciliation of Long-term debt:			
Less: unamortized discount	(7,072)		
	<u>\$3,707,928</u>		<u>\$489</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 7 – DEBT WITHOUT CITY COMMITMENT

A. Special Assessment Debt Without City Commitment

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these districts. The City does act as an agent for the property owners and bondholders and at June 30, 2023, the balances of these Districts' outstanding debt were as follows:

	Project Description	Original Amount	Outstanding June 30, 2023
Pt. San Pedro Road Median Landscaping Assessment District Limited Obligation Bonds-2012	Pt. San Pedro Road Median Landscaping	\$1,750,000	\$1,075,200

B. Conduit Debt

The City has assisted private-sector entities by sponsoring their issuance of debt for purposes the City deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these issuers. At June 30, 2023, the balance of this issuers' outstanding debt was as follows:

	Project Description	Original Amount	Outstanding June 30, 2023
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2000A	162-175 Belvedere Apartments	\$3,590,529	\$789,269
California Statewide Communities Development Authority Revenue Bonds-2001	St. Marks School	5,605,000	2,005,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2002	San Rafael Commons Apartments	6,100,000	4,025,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2007 Series A	Martinelli House Project	6,000,000	1,613,168
Multifamily Housing Revenue Bonds-2007 Series B	Martinelli House	1,000,000	103,077
	Total	\$22,295,529	\$8,535,514

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 8 – NET POSITION AND FUND BALANCE

A. *Net Position*

Net Position is the excess of all the City’s assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level and business type activity 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 to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. *Fund Balance*

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund’s cash and receivables, less its liabilities. The City’s fund balances are classified in accordance with generally accepted accounting principles, which require the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside that do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, loans receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by resolution of the City Council which may be altered only by resolution of the City Council. Nonspendable amounts subject to Council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City’s intent that they be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Manager, as designated by the City Council, and may be changed at the discretion of the City Council or City Manager. This authorization is given through Resolution No. 13173 which adopted the City’s Fund Balance Policy.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 8 – NET POSITION AND FUND BALANCE (Continued)

This category includes nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City's fund balances, as of June 30, 2023, are below:

	Special Revenue Funds		Capital Project Funds	Other Governmental Funds	Total
	General Fund	Traffic and Housing Mitigation	Essential Facilities Capital Projects Fund		
Fund balances:					
Nonspendable:					
Prepays	\$78,057			\$182,890	\$260,947
Total Nonspendable	78,057			182,890	260,947
Restricted for:					
Assessment District capital projects				298,723	298,723
Baypoint Lagoons Assessment District				224,737	224,737
Bedroom tax capital projects				142,339	142,339
Childcare				610,965	610,965
Development services				400,028	400,028
Emergency medical services				2,281,841	2,281,841
Streets improvements and maintenance (gas tax)		\$11,835,712			11,835,712
Grant funded programs				1,050,383	1,050,383
Household hazmat facility				572,457	572,457
Library				4,444,464	4,444,464
Library assessment				934,285	934,285
Loch Lomond Assessment District				809,862	809,862
Loch Lomond Assessment District #2				896,955	896,955
Low and Moderate Income Housing				1,872,044	1,872,044
Measure A - Open Space				475,053	475,053
Measure C - Wildfire Prevention				1,386,411	1,386,411
Measure E - Public Safety Facility			\$3,718,015		3,718,015
Measure G - Cannabis				1,150,736	1,150,736
Parkland dedication				359,989	359,989
Public safety				124,363	124,363
Pt. San Pedro - Maintenance Portion				174,968	174,968
Recreation revolving				362,483	362,483
Stormwater				6,629,459	6,629,459
Traffic and housing mitigation		\$5,693,062			5,693,062
Total Restricted		5,693,062	3,718,015	25,202,545	46,449,334
Committed to:					
Capital improvement capital projects				3,986,983	3,986,983
Emergency and cash flow	9,753,000				9,753,000
Park capital projects				21,861	21,861
Total Committed	9,753,000			4,008,844	13,761,844
Assigned to:					
Contractual commitments	2,410,106				2,410,106
One-time funds allocated to projects	8,767,279				8,767,279
Capital Project grant matching	4,240,000				4,240,000
Infrastructure Reserve	600,000				600,000
General plan / long range planning	1,254,889				1,254,889
Open space capital projects				119,248	119,248
Total Assigned	17,272,274			119,248	17,391,522
Unassigned	664,667				664,667
Total Fund Balances	\$27,767,998	\$5,693,062	\$3,718,015	\$29,513,527	\$78,528,314

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 8 – NET POSITION AND FUND BALANCE (Continued)

C. *Minimum Fund Balance Policy*

The City Council adopted a General Fund Reserve Policy in November 2014 to establish target reserve levels and the methodology for calculating reserve levels. The Policy also establishes criteria for the use of reserves and a process to replenish reserves.

The Policy requires the City to strive to maintain the following fund balances:

1) Emergency and Cash Flow Reserve (10% minimum)

An emergency and cash flow reserve will be maintained for the purposes of (1) sustaining General Fund operations in the case of a public emergency, such as a natural disaster or other unforeseen catastrophic event; and (2) to cover sudden operating shortfalls caused by (a) a severe drop in revenues that cannot be sufficiently offset by a corresponding reduction in expenditures and/or other available resources, or (b) an unforeseen, unavoidable expenditure that must be paid from the General Fund.

This reserve level is measured as a percentage of annual operating expenditures. Budgeted operating expenditures are to be used for the purposes of budget allocations and projections, and actual operating expenditures are to be used for the purpose of measuring this reserve at fiscal year-end. This reserve may be expended only when the City Council determines by resolution that such action is consistent with the purpose and intent of this policy.

In the event the balance in the Emergency and Cashflow Reserve falls below the minimum level, the City Manager, shall recommend a plan to replenish the fund within a timeframe not to exceed three years. This recommendation shall be approved by the City Council no later than the time at which the next annual budget is adopted. Any variance from the stipulations established within this policy shall require approval by the City Council along with a statement of findings supporting the temporary or ongoing modification to this policy.

The required reserve was \$9,753,000 at June 30, 2023, and the balance of the reserve, included in the General Fund's committed fund balance was \$9,753,000 at that date.

2) Other Facilities and Infrastructure

The purpose of the assigned infrastructure reserve is to accumulate funds to be used for the purpose of non-public safety facility construction and major improvements (e.g., library, administrative and non-safety buildings, streets, and the stormwater system). This was \$600,000 at June 30, 2023.

The General Plan/Long Range Planning reserve included in the General Fund's assigned fund balance was \$1,254,889 at June 30, 2023, which is specifically assigned to the City's General Plan, a state required plan that must address eight topic areas – Neighborhoods, Community Design, Economic Vitality, Infrastructure, Governance, Culture and Arts, Parks and Recreation and Air and Water Quality.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – PENSION PLAN

A. *Plan Description*

The City's defined benefit retirement plan is administered by the Marin County Employees' Retirement Association (MCERA), a retirement system established in July 1950 and governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL or 1937 Act, California government Code Section 31450 et seq.); the Public Employees' Pension Reform Act of 2013 (PEPRA, Government Code Section 7522); the provisions of California Government Code Section 7500 et seq; and the bylaws, procedures, and policies adopted by MCERA's Board of Retirement. The Marin County Board of Supervisors may also adopt resolutions, as permitted by the CERL and PEPRA, which may affect the benefits of MCERA members.

MCERA operates as a cost-sharing multiple employer defined benefit plan for the City and eight other participating employers: County of Marin, Local Agency Formation Commission (LAFCO), Marin City Community Services District, Marin County Superior Court, Marin/Sonoma Mosquito and Vector Control District, Novato Fire Protection District, Southern Marin Fire Protection District and Tamalpais Community Services District. Separate actuarial valuations are performed for these other agencies and districts, and the responsibility for funding their plans rest with those entities. Post-retirement benefits are administered by MCERA to qualified retirees.

Copies of MCERA's annual financial reports, which include required supplementary information (RSI) for the plan may be obtained from their office at One McInnis Parkway, Suite 100, San Rafael, CA 94903 or online at www.mcera.org.

B. *Benefit Provisions*

Service Retirement: MCERA's service retirement benefits are based on the years of credited service, final average compensation, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly retirement benefits for life.

General members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 (except Misc. Tier 2, whereby the minimum age is 55) and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

Safety members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 50, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – PENSION PLAN (Continued)

Disability Retirement: A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty is eligible to apply for a non-service connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible to apply for a service-connected disability retirement, regardless of service length or age.

Death Benefits: MCERA provides specified death benefits to beneficiaries and members' survivors. The death benefits provided depend on whether the member is active or retired. The basic active member death benefit consists of a members' retirement contributions plus interest plus one month's pay for each full year of service (up to a maximum of six month's pay). Retiring members may choose from five retirement benefit payment options. Most retirees elect to receive the unmodified allowance which provides the maximum benefit to the retiree and continuance of 60% of the retiree's allowance to the surviving spouse or registered domestic partner after the retiree's death. Other death benefits may be available based on the years of service, marital status, and whether the member has minor children.

Cost of Living Adjustment: Retirement allowances are indexed for inflation. Most retirees receive automatic basic cost of living adjustments (COLA's) based upon the Urban Consumer Price Index (UCPI) for the San Francisco Bay Area. These adjustments go into effect on April 1 of each year. Annual COLA increases are statutorily capped at 2%, 3%, or 4% depending upon the member's retirement tier. When the UCPI exceeds the maximum statutory COLA for the member's tier, the difference is accumulated for use in future years when the UCPI is less than the maximum statutory COLA. The accumulated percentage carryover is known as the COLA Bank.

C. Funding Policy

The funding policy of MCERA provides for actuarially determined periodic contributions by the City at rates such that sufficient assets will be available to pay plan benefits when due. The employer rates for normal cost are determined using the Entry Age Normal Actuarial Cost Method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued.

The City contribution rates for the year ended June 30, 2023 were as follows:

	Employer Contribution Rate	Employee Contribution Rate	Benefit	Basis
City of San Rafael Misc Tier 1	52.37%	0.00% - 17.14%	2.7% @ 55	Highest year
City of San Rafael Misc Tier 2	53.15%	8.11% - 12.31%	2.0% @ 55	Average three highest years
City of San Rafael Fire Tier 1	71.55%	0% - 20.38%	3.0% @ 55	Highest year
City of San Rafael Fire Tier 2	70.51%	12.59% - 18.53%	3.0% @ 55	Average three highest years
City of San Rafael Safety Police Tier 1	71.14%	0% - 20.38%	3.0% @ 55	Highest year
City of San Rafael Safety Police Tier 2	72.39%	12.59% - 18.53%	3.0% @ 55	Average three highest years
PEPRA Misc	46.09%	9.74%	2.0% @ 62	Average three highest years
PEPRA Safety	62.31%	15.26%	2.7% @ 57	Average three highest years

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – PENSION PLAN (Continued)

These rates were determined by MCERA, based on the actuarial valuation dated June 30, 2021. The actual rate of return on investments during that year was 32.0% on a market value basis net of investment expenses, as compared to the prior year's 6.75% assumption.

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to MCERA. Contributions to the plan from the City were \$21,446,774 for the year ended June 30, 2023, based on a total payroll of \$48,676,936, of which \$35,543,480 represented the basis for the plan contributions. Of the total payroll subject to plan contributions, \$1,337,210 is attributable to the San Rafael Sanitation District (SRSD), a component unit of the City.

Effective with the June 30, 2013, valuation, the Unfunded Actuarial Liability (UAL) as of June 30, 2013, is being amortized over a closed 17-year period (9 years remaining as of June 30, 2021), except for the additional UAL attributable to the outstanding unfunded actuarial loss from 2009, which is being amortized over a separate closed period (currently 17 years).

Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses or method changes are amortized over a closed 24-year period, with a 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll between the ramping periods. This amortization method for gains and losses is similar to a 20-year amortization period with level payments as a percentage of payroll, in conjunction with a traditional 5-year asset smoothing.

Assumption changes are amortized over a closed 22-year period, with a 3-year ramp up period, 2-year ramp down period, and 17 years of level payments as a percentage of payroll.

D. *Pension Liability and Pension Expense*

The City's net pension liability (NPL) has been determined for the financial reporting period ended June 30, 2023, based on the following methodology: The City's NPL as of June 30, 2021, was updated to the measurement date of June 30, 2022 using the actual City's plan assets as of June 30, 2022, and estimating the change in the City's liabilities between July 1, 2021, and June 30, 2022. This estimate is based on a projection of the City's long-term contributions to the pension plan relative to the projected contributions of all participating employers.

The resulting NPL for the City under this calculation is \$105,476,657 or 33.73% of the total MCERA NPL of \$312,688,342 (reference MCERA's GASB 67/68 report as of June 30, 2022). This compares to the previous year's net pension liability of \$48,176,309 or 29.665% of the total MCERA net pension liability of \$162,401,177 (reference MCERA's GASB 67/68 report as of June 30, 2021).

In addition to the reporting of the NPL as of June 30, 2023, the City reported deferred inflows of \$24,063,376 and deferred outflows of \$68,401,146 as of the measurement date June 30, 2022. The City reported post-measurement date outflows of \$21,446,774 from actual fiscal year 2022-2023 pension contributions. Deferred outflows include deferred investment gains and adjustments to assumptions based on actual positive results. Deferred outflows have a positive impact on net assets (offsetting the net pension liability) and will be recognized in future reporting periods. Deferred inflows include deferred investment losses, adjustments to assumptions based on actual negative results, and contributions made after the measurement date.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – PENSION PLAN (Continued)

Deferred inflows have a negative impact on net assets (similar to the NPL) and will be recognized in future reporting periods. The net impact of these pension liability related entries on the City's Statement of Net Position before allocations to the San Rafael Sanitation District was \$61,138,857. After allocations to the San Rafael Sanitation District, the net impact on the City's Statement of Net Position was \$59,734,885.

Under generally accepted accounting principles, the City's pension expense is based on the Plan's pension expense, adjusted for the City's actual contributions and net pension liability (asset).

Three components are used to calculate pension expense: (1) changes in the net pension liability; (2) changes in benefit terms (if any); and (3) changes in actuarial assumptions and experience. Pension expense is calculated using a different methodology than that used to derive the actuarially determined annual contribution to the Plan. Actual pension contributions during the reporting year were \$21. Because pension expense is affected by annual changes in the net pension liability, volatility is to be expected. For the current measurement period, investment returns above the assumed rate were responsible for the decrease in net pension liability to a net pension asset and had a corresponding impact on pension expense.

The table below provides a summary of the key results during the reporting period:

Summary of Results		
Description	Measurement Date 6/30/2022	Measurement Date 6/30/2021
Net Pension Liability (Asset)	\$105,476,657	(\$48,176,309)
Deferred Inflows	24,063,376	164,252,572
Deferred Outflows	(46,954,402)	(15,753,361)
Impact on Net Position before Deferred Outflows from Contributions	82,585,631	100,322,902
Additional Deferred Outflows - Contributions Subsequent to Measurement Date	(21,446,744)	(21,859,307)
Impact on Statement of Net Position before Allocations	61,138,887	78,463,595
Allocation of Net Pension Liability (Asset) to SRSD	3,563,252	(1,635,722)
Allocation of Deferred Inflows (measurement date) to SRSD	812,918	5,576,838
Allocation of Deferred Outflows (measurement date) to SRSD	(2,310,754)	(534,871)
Impact on Net Position before Allocation of Deferred Outflows from Contributions to SRSD	2,065,416	3,406,245
Allocation of Additional Deferred Outflows (Contributions) to SRSD	(661,444)	(747,284)
Long-Term Receivable from SRSD, due to pension obligations (see Note 4F)	1,403,972	2,658,961
Impact on Statement of Net Position, net of receivable from SRSD	\$59,734,915	\$75,804,634
Pension Expense (Revenue)	\$4,048,455	(\$20,127,615)

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023**

NOTE 9 – PENSION PLAN (Continued)

Projection of Total Pension Liability and Net Pension Liability

Total Pension Liability (TPL) is the actuarial present value of projected benefit payments attributed to past periods of employee service. MCERA and the City have adopted a measurement date of June 30, 2022. The beginning of year measurement of TPL is based on the actuarial valuation as of June 30, 2021. The TPL at the end of the measurement year, June 30, 2022, is also measured as of the valuation date of June 30, 2021 and projected to June 30, 2022.

The Plan Fiduciary Net Position (FNP) is the fair or market value of assets. The FNP at the beginning of the year is based on the actuarial valuation as of June 30, 2021. The FNP at the end of the measurement year, June 30, 2022, is also measured as of the valuation date of June 30, 2021, and projected to June 30, 2022.

The Net Pension Liability (NPL) is the City's liability (asset) for benefits provided through its defined benefit plan administered by MCERA. It is calculated by reducing the TPL by the FNP. The long-term portion of the governmental activities' NPL is liquidated primarily by the General Fund.

Actuarial assumptions:

The total pension liability as of June 30, 2022 (measurement date) was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions applied to all prior periods included in the measurement.

Expected Return on Assets	6.75% per year, net of investment expenses
Discount Rate	6.75% per year
Price Inflation	2.50% per year
Salary Increases	3.00% per year plus merit component based on employee classification and years of service.
Administrative Expenses	Administrative expenses in the actuarial valuation are assumed to be \$5,137,500 for FY 2021-22, to be split between employees and employers based on their share of the overall contributions. Administrative expenses shown in this report are based on the actual FY 2020-21 amounts.
Post-Retirement COLA	Post-retirement COLAs are assumed at a rate of 2.5% for members with a 4% COLA cap, 2.4% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – PENSION PLAN (Continued)

**Mortality Rates for
Healthy Members
and Inactives**

Mortality rates for Miscellaneous active members are based on the sex distinct Public General 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments.

Mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements Projected from 2010 using Projection Scale MP-2020, with no adjustments. 10% of Safety member active deaths are assumed to occur in the line of duty.

**Mortality Rates for
Retired Disabled
Members**

Rates of mortality for Miscellaneous disabled members are based on the sex distinct Public General 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments, Rates of mortality for Safety disabled members are based on the sex distinct Public Safety 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, adjusted by 95% for males with no adjustment for females.

Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class

The Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA's investments. The IPS establishes MCERA's investment objectives and defines the principal duties of the Retirement Board, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan.

The following was the Retirement Board's adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Rate of Return (with the effect of inflation)
Domestic Equities	32%	4.60%	7.10%
International Equities	22%	4.85%	7.35%
Fixed Income	23%	1.40%	3.90%
Public Real Assets	7%	3.20%	5.70%
Real Estate	8%	3.65%	6.15%
Private Equity	8%	6.00%	8.50%
Total	100%		

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – PENSION PLAN (Continued)

The Long-Term returns are calculated using a 10-year geometric return derived from arithmetic returns and the associated risk (standard deviation).

Determination of Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. Related to the discount rate is the funding assumption that employees will continue to contribute to the plan at the required rates and employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (17 years remaining as of the June 30, 2021 actuarial valuation), and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (9 years remaining as of the June 30, 2021 actuarial valuation).

A change in the discount rate would affect the measurement of the TPL. A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be significant for a relatively small change in the discount rate.

The table below shows the sensitivity of the Net Pension Liability (Asset) to a one percent decrease and a one percent increase in the discount rate:

Description	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Total Pension Liability	\$1,265,780,847	\$1,120,775,111	\$1,001,365,195
Fiduciary Net Position	1,015,298,454	1,015,298,454	1,015,298,458
Net Pension Liability (Asset)	\$250,482,393	\$105,476,657	(\$13,933,263)
Fiduciary Net Position as a Percentage of the Total Pension	80.2%	90.6%	101.4%

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Pension Resources

The impact of experience gains or losses and assumption changes on the Total Pension Liability (TPL) are recognized in the proportionate share of the pension expense over the average expected remaining service life of all active and inactive members of the plan. As of the measurement date, this recognition period was 4 years.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 9 – PENSION PLAN (Continued)

The following tables show the current balance and sources of deferred outflows and inflows related to the City's defined benefit retirement plan, and the scheduled recognition of these deferred amounts:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,762,782	\$4,367,486
Changes in assumptions	5,679,576	
Change in proportion	7,957,716	10,883,765
Difference between City contributions and proportionate share of contributions		8,812,125
Actual FY 22-23 contributions (post measurement date)	21,446,774	
Net difference between projected and actual earnings on pension plan investments	30,554,298	
Deferred Inflows and Outflows Before Allocations	\$68,401,146	\$24,063,376
Allocation of Deferred Inflows and Outflows to SRSD		
As of measurement date	\$2,310,754	\$812,918
Post-measurement date	661,444	
Net Deferred Inflows and Outflows	\$65,428,948	\$23,250,458

The \$21,446,774 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	Amortization Amount
2024	(\$3,267,510)
2025	(3,324,244)
2026	(7,611,284)
2027	37,094,034
Total	\$22,890,996

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 10 – PUBLIC AGENCY RETIREMENT SYSTEM (DEFINED CONTRIBUTION RETIREMENT PLAN)

The City contributes to the Public Agency Retirement System (PARS), which administers a defined contribution retirement plan. A defined contribution retirement plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's accounts are determined instead of specifying the amount of benefits the individual is to receive. The benefits a participant will receive depend on the amount contributed to the participant's account, and the returns earned on investments on those contributions. The Plan's trust administrator is Phase II, P.O. Box 12919, Newport Beach, California 92658.

As established by the plan, all eligible part-time and temporary employees of the City become participants in the plan from the date that they are hired. An eligible employee is any employee who, at any time during which the employer maintains this plan, is not accruing a benefit under the Marin County Employees' Retirement Fund.

As determined by the plan, each employee must contribute 3.75% of gross earnings to the plan. The City contributes an additional 3.75% of the employee's gross earnings. Contributions made by an employee and the employer vest immediately.

During the year, the City and employees each contributed \$140,479. The total covered payroll of employees participating in the plan for the year ended June 30, 2023, was \$3,746,098.

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The City provides certain health care benefits for retired employees and their spouses under an Agent Multiple-Employer Defined Benefit Plan. The benefit provisions were established under the authority of the 1937 Act, Section 31450, et. seq. of the Government Code. Employees who meet the vesting criteria become eligible for these benefits if they receive a retirement benefit from the Marin County Employees' Retirement Association within 120 days of retirement from City employment.

The provisions and benefits of the City's Other Post Employment Benefit Plan, in effect at June 30, 2023, are summarized as follows:

	Elected Officials, Mid-Management, & Unrepresented Management	All other Bargaining Units
Eligibility	Retire directly from the City: - Age 50 (age 55 if hired > 7/1/11) with 10 years services (Including reciprocity) OR - 30 years service (Miscellaneous), 20 years service (Safety) OR - Age 70 - Disability Retirement	
Benefit	Hired < 1/1/09 Full premium/cap Hired ≥ 1/1/09 PEMHCA Min	Hired < 1/1/10 Up to cap Hired ≥ 1/1/10 PEMHCA Min
Surviving Spouse Benefit	Continuation to surviving spouse	
Medicare Part B	Hired < 4/1/07 Full reimbursement Hired ≥ 4/1/07 None	None
Other	No Dental, Vision, or Life Benefits	

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Membership in the plan consisted of the following at June 30, 2022, the measurement date:

Active plan members	348
Inactive employees or beneficiaries currently receiving benefit payments	378
Inactive employees entitled to but not yet receiving benefit payments	80
Total	<u>806</u>

Funding Policy and Actuarial Assumptions

The City's net OPEB liability was measured using a Total OPEB Liability and Fiduciary Net Position measured as of June 30, 2022, using an actuarial valuation as of June 30, 2021. The following actuarial assumptions were used in the valuation: (a) 6.25% investment rate of return and (b) 2.50% of general inflation increase, and (c) a healthcare trend of declining annual increases ranging from 6.50% in 2023 to 3.75% for the years starting 2076. In addition, the fixed dollar benefit amounts are assumed to be held flat in the future and the premium related benefits are assumed to increase with the healthcare trend rate.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020 through June 30, 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Rate of Return (with the effect of inflation)
Global Equity	59%	4.56%	7.06%
Fixed Income	25%	0.78%	3.28%
TIPS	5%	-0.08%	2.42%
Commodities	3%	1.22%	3.72%
REITs	8%	4.06%	6.56%
Total	<u>100%</u>		
Assumed Long-Term Rate of Inflation		2.50%	
Assumed Long-Term Investment Expenses		n/a	
Expected Long-Term Net Rate of Return		6.25%	
Discount Rate		6.25%	

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The Expected Long-Term Rate of Return is provided by CalPERS' Strategic Asset Allocation Overview in October 2018 – Strategy 1.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using the strategy to achieve the expected return.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2022 (6/30/21 measurement date)	\$48,228,000	\$29,296,000	\$18,932,000
Changes Recognized for the Measurement Period:			
Service Cost	566,000		566,000
Interest on the total OPEB liability	2,946,000		2,946,000
Contributions from the employer		3,294,000	(3,294,000)
Net investment income		(3,922,000)	3,922,000
Administrative expenses		(15,000)	15,000
Benefit payments and refunds	(3,286,000)	(3,286,000)	
Net Changes during July 1, 2022 to June 30, 2023	226,000	(3,929,000)	4,155,000
Balance at June 30, 2023 (6/30/22 measurement date)	\$48,454,000	\$25,367,000	\$23,087,000

The benefit payments and refunds include implied subsidy benefit payments in the amount of \$725,000.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
\$28,379,000	\$23,087,000	\$18,613,000

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates.

Plan's Net OPEB Liability/(Asset)		
Healthcare Cost		
Trend Rate -1%	Trend Rates	Trend Rate +1%
\$19,681,000	\$23,087,000	\$27,134,000

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA, 94229.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

Components of OPEB Expense for fiscal year 2022-2023 were as follows:

Service Cost	\$566,000
Interest on Total OPEB Liability	2,946,000
Projected earning on investments	(1,831,000)
Administrative expense	15,000
Recognition of deferred outflows/inflows:	
Experience	(1,792,000)
Assumptions	668,000
Asset Returns	317,000
OPEB Expense	<u>\$889,000</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Components of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2023 were as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Changes of assumptions	\$1,770,961	\$29,039	\$1,800,000
Net difference between projected and actual earnings on plan investments	2,009,231	29,769	2,039,000
Employer contributions made subsequent to the measurement date	3,136,528	46,472	3,183,000
Total deferred outflows of resources	\$6,916,720	\$105,280	\$7,022,000
Deferred inflows of resources:			
Differences between expected and actual experience	\$3,552,367	\$52,633	\$3,605,000
Changes of assumptions	832,884	14,116	847,000
Total deferred inflows of resources	\$4,385,251	\$66,749	\$4,452,000

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life.

\$3,183,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement Period Ended June 30	Amortized Amount
2024	(\$864,000)
2025	(687,000)
2026	(31,000)
2027	969,000
	(\$613,000)

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The table below provides a summary of the key results during this reporting period.

Summary of Results		
Description	Measurement Date June 30, 2022	Measurement Date June 30, 2021
Net OPEB Liability	\$23,087,000	\$18,932,000
Deferred Inflows	4,452,000	10,113,000
Deferred Outflows	(3,839,000)	(2,940,000)
Impact on Net Position before deferred contributions	23,700,000	26,105,000
Additional Deferred Outflows - Contributions subsequent to measurement date	(3,183,000)	(3,294,000)
Impact on Statement of Net Position before Allocations	20,517,000	22,811,000
Allocation of NOL to SRSD	674,000	552,000
Allocation of Deferred Inflows (measurement date) to SRSD	129,971	294,865
Allocation of Deferred Outflows (measurement date) to SRSD	(112,075)	(85,722)
Impact on Net Position before deferred contributions to SRSD	691,896	761,143
Allocation of Additional Deferred Outflows (contributions) to SRSD	(92,924)	(96,043)
Long-Term Receivable from SRSD, due to OPEB obligations (see Note 4G)	598,972	665,100
Impact on Statement of Net Positions, net of receivable from SRSD	\$19,918,028	\$22,145,900
OPEB Expense	\$889,000	\$345,000
Covered Employee Payroll	\$42,604,000	\$39,310,000

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

The City participates in the jointly governed organizations discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint organization is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint organization, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of this joint organization are not the City's responsibility and the City does not have an equity interest in the assets of each joint organization except upon dissolution of the joint organization.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

A. *The Marin County Integrated On-Line Library System (System)*

The MARINet Library Consortium was formed to provide for the procurement, ownership, operation, maintenance, and governance of shared library services among the libraries, public and academic, in Marin County. Current services shared and paid for on a consortia level through annual membership dues include an integrated library system including patron database, cataloging system, and online catalog of materials; delivery of items between libraries in Marin, a statewide library delivery service called Link+, numerous online resources, and more. The Governing Board of the System consists of the library director or designated alternate of each participant in the System. In accordance with the cost sharing formula developed by the library directors of the participants, the City's share of annual operating costs was \$321,517 for the year ended June 30, 2023. Financial statements of the System can be obtained from the County Librarian, Marin County Free Library at 1401 Los Gamos Drive, Suite 200, San Rafael, California 94903.

B. *The Marin General Services Authority (MGSA)*

The MGSA was formed by the County of Marin and twelve local agencies to acquire street light facilities, operate the facilities during an eminent domain action against PG&E, and coordinate the subsequent transfer of the facilities to the individual local agencies. Each of the local agency's share of contributions was based on the number of street lights to be acquired in the local agency's individual jurisdiction in relation to the total number of street lights to be acquired by the Marin Streetlight Acquisition Joint Powers Authority. MGSA services now include street light maintenance, abandoned vehicle abatement, taxicab regulation, administrative responsibility for MarinMap and the CATV program formerly administered by the Marin Telecommunications Authority established to regulate the rates for cable television service and equipment. The City's contribution to MGSA was \$766,726 for the year ended June 30, 2023. Financial statements of the MGSA can be obtained at 900 Fifth Avenue, Suite 100, San Rafael, California 94901.

C. *The Marin Emergency Radio Authority (MERA)*

MERA was formed on February 28, 1998, by the County of Marin and 25 local agencies within the County to plan, finance, implement, manage, own, and operate a County-wide public safety and emergency radio system. The Governing Board consists of one representative from each member. The members entered into a Project Operating Agreement on February 1, 1999.

On February 1, 1999, the members entered into an Operating Agreement whereby members are obligated to contribute service payments to cover the Authority's operations and debt service. The City's portion of the obligation is 16.913%. The City contributed \$401,659 of the Authority's operations and debt service for the fiscal year ended June 30, 2023. The City has established a reserve in its internal service funds to pay future service payments. Financial statements of the MERA can be obtained at 95 Rowland Way, Novato, California 94945.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. *The Marin County Hazardous and Solid Waste Joint Powers Authority*

The Authority was established by the County, local cities, and waste franchising districts to finance, prepare, and implement source reduction and recycling elements on a county-wide integrated waste management plan as required by State Assembly Bill 939. The City's contribution to the Authority was \$18,741 for the year ended June 30, 2023. Financial statements of the Authority can be obtained at 3501 Civic Center Drive, San Rafael, California 94903.

E. *Central Marin Sanitation Agency (CMSA)*

In October 1979, the District entered into a joint powers agreement with three neighboring sanitation agencies in central Marin County forming the Central Marin Sanitation Agency (CMSA). CMSA serves as a regional wastewater treatment plant for its four member agencies and San Quentin Prison (SQ) and is governed by a five-member Board of Commissioners, two appointed by the Board of Directors of the District, two appointed by the governing board of the Ross Valley Sanitary District, and one appointed by the governing board of Sanitary District No. 2 (SD 2).

Total project costs for the joint venture were funded from federal (75%) and state (12.5%) clean water grants and from local shares (12.5% total) allocated among the member agencies and SQ based upon the weighted average of the strength and volume of sewage flows per member at inception of the project. CMSA derives its annual funding for its operations and capital programs almost exclusively from service charges to member agencies. The joint powers agreement does not provide an explicit measurable right as required to establish an equity interest for any of the joint venture participants, and in addition to, stipulates that all excess capital funds, if any, and all excess administration, operations, and maintenance funds from whatever source, if any, are the property of CMSA.

The financial statements of the CMSA are available at the CMSA office at 1301 Anderson Drive, San Rafael, California 94901 and online at www.cmsa.us.

NOTE 13 – RISK MANAGEMENT

A. *City*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the Risk Management Internal Service Fund to account for and finance its uninsured risks of loss. The City manages risk by participating in a public entity risk pool (described below), purchasing insurance and by retaining certain risks.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 13 – RISK MANAGEMENT (Continued)
--

Risk Coverage

Liability Coverage

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to \$40,000,000. The purpose of CJPRMA is to spread the adverse effects of general liability losses among the member agencies. The City also purchases commercial insurance for property damage claims with an insured amount of \$173,070,291. The City is self-insured up to \$750,000 for each general liability claim and \$25,000 for each property damage claim. Once the self-insured retention is met, CJPRMA becomes responsible for payment of all liability claims up to the limit. The City contributed a total of \$1,154,942 in liability coverage premiums during the fiscal year ended June 30, 2023. Five years after settlement of all general liability claims for a program year, CJPRMA will retroactively adjust premium deposits for any excess or deficiency in deposits related to paid claims and reserves. Financial statements for the risk pool may be obtained from CJPRMA at 3201 Doolan Road, Suite 285, Livermore, California 94551.

Workers' Compensation Coverage

The City purchases insurance for workers' compensation through Safety National Casualty Corporation Excess Workers' Compensation and Employers Liability Insurance with coverage up to statutory limits. The City is self-insured up to \$1,000,000 for each worker's compensation claim.

Insurance Internal Service Funds and Financial Reporting

The City records estimated liabilities for claims filed up to the amounts for which it retains risk in the General Liability and Workers Compensation Internal Service Funds. Charges to the General Fund and other funds are based on relative general liability and workers compensation risk associated with the activities of each fund. Charges are recorded in the funds as expenditures or expenses and as revenues in the respective internal service funds.

Generally accepted accounting principles require municipalities to record the liability for uninsured claims and to reflect the current portion of this liability as an expenditure in the financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured general liability claims and workers' compensation claims, including claims incurred but not reported, are reported in the Statements of Net Position. The City's present value liability for uninsured claims below include a provision for claims incurred but not reported using a discount rate of 2%.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 13 – RISK MANAGEMENT (Continued)

	General Liability *	Workers' Compensation *	Totals, as of June 30	
			2023	2022
Balance, beginning of year	\$4,696,504	\$10,905,218	\$15,601,722	\$12,268,903
Current year claims and changes in estimates	1,404,334	2,452,582	3,856,916	5,221,270
Claims paid	(1,437,462)	(2,234,478)	(3,671,940)	(1,888,451)
Balance, end of year	<u>\$4,663,376</u>	<u>\$11,123,322</u>	<u>\$15,786,698</u>	<u>\$15,601,722</u>
Due in one year	\$1,110,010	\$1,776,620	\$2,886,630	\$2,802,022
Due in more than one year	<u>3,553,366</u>	<u>9,346,702</u>	<u>12,900,068</u>	<u>12,799,700</u>
Total claim liabilities	<u>\$4,663,376</u>	<u>\$11,123,322</u>	<u>\$15,786,698</u>	<u>\$15,601,722</u>

* Liability based on an actuarial valuation as of December 31, 2021, extrapolated to June 30, 2023.

The claims settlements have not exceeded insurance coverage for the past three years.

B. District

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The District participates in a joint powers agreement with other entities forming the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool operating as a common risk management and insurance program for 60 member entities. CSRMA is governed by a Board of Directors composed of one representative from each member agency and meets three times per year in conjunction with conferences of the California Association of Sanitation Agencies. The Board controls the Note 1 operations of CSRMA, including selection of management and approval of operating budgets, independent of any influence by member entities.

The District pays annual premiums to CSRMA for its primary insurance and property insurance programs. Primary and property insurance programs are fully insured wherein CSRMA purchases insurance as a group thereby reducing its costs. CSRMA provides both fully insured and pooled insurance programs for its participating member entities. Because all employees of the District are contracted employees from the City of San Rafael, workers' compensation insurance is not carried by the District but is provided through the City.

CSRMA's primary and property insurance programs transfer risk to commercial insurance policies for claims above deductibles, while the District retains risk for claims to the extent of deductibles. Settled claims for the District have not exceeded coverage provided by CSRMA in any of the past three fiscal years.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 13 – RISK MANAGEMENT (Continued)

The following summarizes active insurance policies as of June 30, 2023 together with coverage limits for each insured event:

Insurance Program	Limits	Coverage Description
CSRMA - Allied World Assur.	\$3,000,000	Gen/Mgt liability - aggregate
CSRMA - Allied World Assur.	\$1,000,000	Gen/Mgt liability - occurrence
CSRMA - Allied World Assur.	\$1,000,000	Auto liability - accident
CSRMA - Allied World Assur.	\$4,000,000	Excess liability
CSRMA - Public Entity Property Insurance Program (P.E.P.I.P.)	\$24,978,734	Special form property
CSRMA - Illinois Union Ins.	\$25,000,000	Pollution liability - tier 1
CSRMA - Illinois Union Ins.	\$2,000,000	Pollution liability - tier 2
CSRMA - Lloyds of London	\$2,000,000	Cyber liability - third party
CSRMA - Lloyds of London	\$2,000,000	Cyber liability - first party
CSRMA - Travelers Ins.	\$25,000	Identity theft
CSRMA - Lloyds of London	\$2,500,000	Deadly weapons - aggregate

The financial statements of CSRMA are available at their office: 100 Pine Street, 11th Floor, San Francisco, California 94111.

NOTE 14 – LEASE AND SUBSCRIPTION LIABILITIES

A. Lease Liabilities

A summary of governmental activities lease transactions for the fiscal year ended June 30, 2023, are as follows:

	Balance June 30, 2022	Retirements	Balance June 30, 2023	Current Portion
Governmental Activities				
Lease Liabilities				
Fire Station 57 Land Lease	\$5,480,451	(\$508)	\$5,479,943	\$5,540
Copier Equipment Leases	180,245	(82,053)	98,192	56,855
Total	\$5,660,696	(\$82,561)	\$5,578,135	\$62,395

On June 21, 2016, the City entered into a lease agreement as lessee with the County of Marin to lease property for constructing Fire Station # 57 for a 40 year term, ending on June 30, 2056. The City is required to make monthly principal and interest lease payments in the amount of \$13,343 commencing July 1, 2021. The monthly lease payments are increased annually in the amount of 3% every July 1. As of June 30, 2023, the balance of the lease liability was \$5,479,943 and the net value of the right-to-use asset was \$5,163,292, including accumulated amortization of \$312,927.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 14 – LEASE AND SUBSCRIPTION LIABILITIES (Continued)

The City has entered into four separate equipment lease agreements as a lessee for copiers with various vendors. The lease terms vary from 3-5 years and interest is implicit in the lease agreements in the amount of 5%. The City is required to make monthly or yearly principal and interest lease payments in varying amounts ranging from \$1,003 to \$50,278, depending on the lease. As of June 30, 2023, the balance of the lease liability was \$98,192 and the net value of the right-to-use asset was \$96,885, including accumulated amortization of \$161,480. The future principal and interest lease payments as of June 30, 2023 are as follows:

For the Year Ended June 30	Principal	Interest	Total
2024	\$62,395	\$168,654	\$231,049
2025	39,584	165,616	205,200
2026	29,156	164,311	193,467
2027	22,511	163,102	185,613
2028	28,841	162,340	191,181
2029-2033	252,404	793,055	1,045,459
2034-2038	472,289	739,684	1,211,973
2039-2043	756,237	648,772	1,405,009
2044-2048	1,119,143	509,648	1,628,791
2049-2053	1,579,033	309,179	1,888,212
2054-2058	1,216,542	57,837	1,274,379
Totals	<u>\$5,578,135</u>	<u>\$3,882,198</u>	<u>\$9,460,333</u>

B. Subscription-Based Information Technology Liabilities

A summary of subscription-based information technology arrangements (SBITA) transactions for the fiscal year ended June 30, 2023, are as follows:

	Balance June 30, 2022 (as restated)	Retirements	Balance June 30, 2023	Current Portion
Governmental Activities				
Subscription liabilities				
Axon	\$374,019	(\$5,348)	\$368,671	\$5,615
Microsoft	1,080,670	(162,496)	918,174	166,166
SeeClickFix	104,762	(49,762)	55,000	55,000
Total	<u>\$1,559,451</u>	<u>(\$217,606)</u>	<u>\$1,341,845</u>	<u>\$226,781</u>

On March 7, 2019, the City entered into a subscription agreement with Axon Enterprise, Inc. for a subscription with a 5 year term. The City is required to make yearly subscription payments ranging from \$24,049 to \$83,857 throughout the life of the subscription, which ends on December 31, 2029. Interest is implicit in the subscription agreement in the amount of 5%. As of June 30, 2023, the balance of the subscription liability was \$368,671 and the net value of the right-to-use asset was \$320,588, including accumulated amortization of \$53,431.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 14 – LEASE AND SUBSCRIPTION LIABILITIES (Continued)

On August 9, 2022, the City entered into a subscription agreement with Microsoft for a subscription with a 6 year term. The City is required to make yearly subscription payments of \$212,075 throughout the life of the subscription, which ends on August 31, 2028. Interest is implicit in the subscription agreement in the amount of 5%. As of June 30, 2023, the balance of the subscription liability was \$918,174 and the net value of the right-to-use asset was \$900,558, including accumulated amortization of \$180,112.

On February 23, 2022, the City entered into a subscription agreement with the SeeClickFix, Inc. for a subscription with a 2 year term. The City is required to make yearly subscription payments ranging from \$55,000 to \$57,750 throughout the life of the subscription, which ends on August 24, 2024. As of June 30, 2023, the balance of the subscription liability was \$55,000 and the net value of the right-to-use asset was \$52,381, including accumulated amortization of \$52,381.

The future subscription and interest subscription payments as of June 30, 2023 follows:

For the Year Ended June 30	Principal	Interest	Total
2024	\$226,781	\$67,092	\$293,873
2025	240,178	55,753	295,931
2026	252,188	43,744	295,932
2027	264,797	31,135	295,932
2028	278,037	17,895	295,932
2029	79,864	3,993	83,857
Totals	\$1,341,845	\$219,612	\$1,561,457

NOTE 15 – COMMITMENTS AND CONTINGENCIES

A. City Litigation

The City is a defendant in several lawsuits arising from its normal operations. City management is of the opinion that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

B. District

As of June 30, 2023, SRSD had several contracts for sewer improvement projects with remaining obligations of approximately \$7,800,000.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 16 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES
--

A. *Redevelopment Dissolution*

In an effort to mitigate its budget deficit, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into, or modifying agreements or contracts, acquiring, or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, ABx1 26 and AB1484 directed the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation requires the State Controller to order the asset returned to the redevelopment agency. This review was performed in May 2013, and a report issued on July 29, 2013 (see section B of this footnote).

The City elected to become the Successor Agency to the Redevelopment Agency, and on February 1, 2012, the Redevelopment Agency's remaining net assets were distributed to the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 2, 2012. On July 1, 2018, the County of Marin formed a county-wide Oversight Board to oversee the activities of all Successor Agencies within the County, including San Rafael. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

Pursuant to the dissolution of the City of San Rafael Redevelopment Agency, certain assets of the Redevelopment Agency were distributed to the Housing Successor and all remaining Redevelopment Agency assets and liabilities were distributed to the Successor Agency.

The City elected to become the Housing Successor and on February 1, 2012. Assets and Liabilities relating to the Housing Successor are reported in the City's Low and Moderate Income Housing Special Revenue Fund.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 16 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)
--

B. *Redevelopment Property Tax Trust Fund (RPTTF)*

The Successor Agency’s primary source of revenue comes from the RPTTF allocation distributed by the County. Property tax revenues for each Project Area are deposited into the RPTTF, which redistributes each Project Area’s tax increment under specified formulas. The County Auditor administers the RPTTF and disburses twice annually from this fund pass-through payments to affected taxing entities, an amount equal to the total of obligation payments that are required to be paid from tax increment as denoted on the Recognized Obligation Payment Schedule (“ROPS”). The disbursements are established in the treasury of the Successor Agencies, and various allowed administrative fees and allowances. Any remaining balance is then distributed by the County Auditor back to affected taxing entities under a prescribed method that accounts for pass-through payments. The County Auditor is also responsible for the distributing other monies received from the Successor Agency (from sale of assets, etc.) to the affected taxing entities. Successor agencies in turn will use the amounts deposited into their respective funds to make payments for principal and interest on loans and monies advanced to or indebtedness incurred by the dissolved redevelopment agencies.

C. *Long-Term Debt*

1999 Tax Allocation Bonds and Capital Appreciation Bonds

On June 16, 1999, the former Agency issued Tax Allocation Bonds in the amount of \$23,504,004. The bonds were issued as Current Interest Bonds in the aggregate principal amount of \$21,115,000 and as Capital Appreciation Bonds in the original amount of \$2,389,004. The proceeds of the bonds were used to finance certain redevelopment activities of benefit to the former Agency’s Central San Rafael Redevelopment Project Area.

In December 2009 of the former Agency exercised the redemption option of the Current Interest Bonds. The outstanding balance of the Bonds was refunded, on a current basis, through the issuance of the 2009 Tax Allocation Refunding Bonds as discussed below.

The Capital Appreciation Bonds matured annually after December 1 from 2018 to 2022, in amounts ranging from \$1,440,000 to \$2,070,000 and bore interest at rates from 5.58% to 5.60%. Interest on the Capital Appreciation Bonds compounded on each interest premium date and were paid in full at maturity. The bonds were secured, on parity with the 1992 and 1995 bonds (refunded in 2002), by a pledge and a lien on tax revenues and amounts on deposit in certain funds and accounts held by the fiscal agent. The 1999 Tax Allocation Capital Appreciation Bonds were paid off as of June 30, 2023.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 16 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

2009 Tax Allocation Refunding Bonds

On December 14, 2009, the former Agency issued 2009 Tax Allocation Refunding Bonds in the amount of \$14,660,000 bearing interest at rates from 3.00% to 5.00%. The proceeds of the Series 2009 Bonds were used to refund the former Agency's 1999 Tax Allocation Current Interest Bonds and to advance funds to the City to finance street and parking improvements for the benefit of the Agency's Central San Rafael Redevelopment Project. Principal payments were due annually on December 30 and interest payable semiannually on June 30 and December 30. The 2009 Tax Allocation Refunding Bonds were paid off as of June 30, 2023.

Use of Tax Increment

The former Agency pledged all future tax increment revenues for the repayment of the 1999 Capital Appreciation Bonds, and 2009 Tax Allocation Refunding Bonds. The pledge of all future tax increment revenues ended upon repayment of \$3.6 million in remaining debt service on the Bonds, which occurred December 1, 2022. For fiscal year June 30, 2023, tax increment revenue amounted to \$630 thousand which, combined with fund balance, was used to make the debt service payment of \$5 million.

The following table summarizes the activity for the fiscal year ended June 30, 2023:

	Authorized and Issued	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
San Rafael Successor Agency						
1999 Tax Allocation Bonds						
Capital Appreciation Bonds						
5.58%-5.6%, due 12/1/2022	\$2,389,004	\$2,013,587	\$56,413	\$2,070,000		
2009 Tax Allocation Refunding Bonds						
3.00%-5.00%, due 12/1/2022	14,660,000	1,460,000		1,460,000		
Add: deferred bond premium costs		79,867		79,867		
Total Successor Agency Long-term Debt		\$3,553,454	\$56,413	\$3,609,867		

D. *Commitment and Contingencies*

State Approval of Enforceable Obligation

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. As of June 30, 2023, the Successor Agency had prepared sixteen ROPS, all of which have been approved by the Oversight Board and the California Department of Finance. The Department of Finance has stated that all items on a future ROPS are subject to a subsequent review. The amount, if any, of current obligations that may be denied by the Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

Cost-Sharing Multiple Employer Plan
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 years*

Measurement date	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>
City's proportionate share	30.0453%	36.7394%	34.9538%	32.7180%	33.4752%
Proportionate share of total pension liability	\$677,753,565	\$907,195,058	\$900,629,287	\$878,483,703	\$947,923,920
Proportionate share of fiduciary net position	<u>603,499,779</u>	<u>764,871,931</u>	<u>733,574,437</u>	<u>757,834,016</u>	<u>837,356,062</u>
Proportionate share of the net pension liability	<u>\$74,253,786</u>	<u>\$142,323,127</u>	<u>\$167,054,850</u>	<u>\$120,649,687</u>	<u>\$110,567,858</u>
Plan fiduciary net position as a percentage of the total pension lia	89.04%	84.31%	84.31%	86.27%	88.34%
Covered payroll (report date)	\$28,563,328	\$31,073,560	\$32,126,272	\$32,885,135	\$36,349,651
Net pension liability as a percentage of covered payroll	259.96%	458.02%	519.99%	366.88%	304.18%
Measurement date	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	
City's proportionate share	36.6081%	34.3574%	29.6650%	33.7322%	
Proportionate share of total pension liability	\$1,082,900,638	\$1,059,269,505	\$959,104,784	\$1,120,775,111	
Proportionate share of fiduciary net position	<u>949,023,107</u>	<u>901,989,929</u>	<u>1,007,281,093</u>	<u>1,015,298,454</u>	
Proportionate share of the net pension liability (asset)	<u>\$133,877,531</u>	<u>\$157,279,576</u>	<u>(\$48,176,309)</u>	<u>\$105,476,657</u>	
Plan fiduciary net position as a percentage of the total pension lia	87.64%	85.15%	105.02%	90.59%	
Covered payroll (report date)	\$33,106,430	\$32,887,922	\$31,697,590	\$34,418,052	
Net pension liability (asset) as a percentage of covered payroll	404.39%	478.23%	-151.99%	306.46%	

* - The fiscal year ended June 30, 2015 was the first year of implementation, therefore only nine years are shown.

<p align="center">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023</p>

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)

Fiscal year ended, June 30	<u>2015</u>
Contractually required contribution	\$17,802,358
Contributions in Relation to the	
Contractually required contribution	<u>17,802,358</u>
Contribution Deficiency/ (Excess)	<u>\$0</u>
Covered payroll	\$31,073,560
Contributions as a percentage of	
covered payroll	57.29%

Notes to Schedule

Valuation Date / Timing 6/30/2013 (for contributions made in FY2014-2015)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2014-15):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Actuarial Loss from 2009
Remaining Amortization period	Unfunded liability - 17 years / Extraordinary Actuarial Loss - 25 years
Asset valuation method	5-year smoothed market, 80% /120% corridor around market
Inflation	3.25%
Salary increases	3.25% plus merit component based on employee classification and years of service
Investment Rate of Return	7.50%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRAs Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set back one year for male members / two years for female members
Disabled Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set forward three years for all members

<p align="center">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023</p>

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
(Continued)

Fiscal year ended, June 30	<u>2016</u>
Contractually required contribution	\$19,339,577
Contributions in Relation to the Contractually required contribution	<u>19,339,577</u>
Contribution Deficiency/ (Excess)	<u><u>\$0</u></u>
Covered payroll	\$32,126,272
Contributions as a percentage of covered payroll	60.20%

Notes to Schedule

Valuation Date / Timing 6/30/2014 (for contributions made in FY2015-2016)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2015-16):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Actuarial Loss from 2009
Remaining Amortization period	Unfunded liability - 16 years / Extraordinary Actuarial Loss - 24 years
Asset valuation method	5-year smoothed market, 80% /120% corridor around market
Inflation	3.25%
Salary increases	3.25% plus merit component based on employee classification and years of service
Investment Rate of Return	7.25%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRAs Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	CalPERS 2014 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for Safety Members), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014
Disabled Mortality	CalPERS 2014 Disability Mortality rates (Non-Industrial rates for Miscellaneous members and Industrial Disability rates for Safety members), adjusted by 90% for Males and Females (Miscellaneous and Safety) with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014

<p style="text-align: center;">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023</p>
--

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
(Continued)

Fiscal year ended, June 30	<u>2017</u>
Contractually required contribution	\$20,003,001
Contributions in Relation to the	
Contractually required contribution	<u>20,003,001</u>
Contribution Deficiency/ (Excess)	<u>\$0</u>
Covered payroll	\$32,885,135
Contributions as a percentage of	
covered payroll	60.83%

Notes to Schedule

Valuation Date / Timing 6/30/2015 (for contributions made in FY2016-2017)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2016-17):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (24 years remaining as of 6/30/14), the remaining UAL as of June 30, 2013 (16 years as of 6/30/14), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	19 years remaining as of June 30, 2016
Asset valuation method	Market Value
Inflation	2.75% per year
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	7.25%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRA Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Sex distinct RP-2000 combined mortality projected to 2010 using Scale AA with ages set back one year for male members/two years for female members
Disabled Mortality	Sex distinct RP-2000 combined mortality projected to 2010 using Scale AA with ages set forward three years for all members

<p style="text-align: center;">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023</p>
--

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
(Continued)

Fiscal year ended, June 30	<u>2018</u>
Contractually required contribution	\$20,167,435
Contributions in Relation to the	
Contractually required contribution	<u>20,167,435</u>
Contribution Deficiency/ (Excess)	<u>\$0</u>
Covered payroll	\$36,349,651
Contributions as a percentage of	
covered payroll	55.48%

Notes to Schedule

Valuation Date / Timing 6/30/2016 (for contributions made in FY2017-2018)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2017-18):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (22 years remaining as of 6/30/16), the remaining UAL as of June 30, 2013 (14 years as of 6/30/16), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	18 years remaining as of June 30, 2017
Asset valuation method	Market Value
Inflation	2.75% per year
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	7.25%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRA Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Sex distinct CalPERS 2014 Pre-Retirement Non-Industrial Death rates (plus Duty-Related death rates for Safety members)
Disabled Mortality	Sex distinct RP-2000 combined mortality projected to 2010 using Scale AA with ages set forward three years for all members
Disabled Mortality	Rates of mortality among disabled members are given by CalPERS 2017 Disability Mortality rates (Non-Industrial rates for Miscellaneous members and Industrial Disability rates for Safety members), adjusted by 90% for Males (Miscellaneous and Safety) and 90% for Miscellaneous Females, with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

<p align="center">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023</p>

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
(Continued)

Fiscal year ended, June 30	<u>2019</u>
Contractually required contribution	\$20,352,203
Contributions in Relation to the	
Contractually required contribution	<u>20,352,203</u>
Contribution Deficiency/ (Excess)	<u><u>\$0</u></u>
Covered payroll	\$33,106,430
Contributions as a percentage of	
covered payroll	61.48%

Notes to Schedule

Valuation Date / Timing 6/30/2017 (for contributions made in FY2018-2019)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2018-19):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (21 years remaining as of 6/30/17), the remaining UAL as of June 30, 2013 (13 years as of 6/30/17), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	17 years remaining as of June 30, 2018
Asset valuation method	Market Value
Inflation	2.75% per year
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	7.00%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRA Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Rates of mortality for active members are specified by CalPERS 2017 Pre-Retirement Non-Industrial Death Rates (plus Duty-Related Death rates for Safety members), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.
Disabled Mortality	Rates of mortality among disabled members are given by CalPERS 2017 Disability Mortality rates (Non-Industrial rates for Miscellaneous members and Industrial Disability rates for Safety members), adjusted by 90% for Males (Miscellaneous and Safety) and 90% for Miscellaneous Females, with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

<p align="center">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023</p>

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
(Continued)

Fiscal year ended, June 30	<u>2020</u>
Contractually required contribution	\$20,031,614
Contributions in Relation to the Contractually required contribution	<u>20,031,614</u>
Contribution Deficiency/ (Excess)	<u>\$0</u>
Covered payroll	\$32,887,922
Contributions as a percentage of covered payroll	60.91%

Notes to Schedule

Valuation Date / Timing 6/30/2018 (for contributions made in FY2019-2020)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2019-20):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (20 years remaining as of 6/30/18), the remaining UAL as of June 30, 2013 (12 years as of 6/30/18), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	12 years remaining as of June 30, 2018
Asset valuation method	Market Value
Inflation	2.75% per year
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	7.00%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRA Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Rates of mortality for active members are specified by CalPERS 2017 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for Safety members), with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017. 0% of all Miscellaneous and 95% of all Safety pre-retirement deaths are assumed to be service-connected.
Disabled Mortality	Rates of mortality for retired members and their beneficiaries are given by CalPERS 2017 Post-Retirement Healthy Mortality rates, adjusted by 90% for Males (Miscellaneous and Safety), with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
(Continued)

Fiscal year ended, June 30	<u>2021</u>
Contractually required contribution	\$20,106,821
Contributions in Relation to the	
Contractually required contribution	<u>20,106,821</u>
Contribution Deficiency/ (Excess)	<u><u>\$0</u></u>
Covered payroll	\$31,697,590
Contributions as a percentage of	
covered payroll	63.43%

Notes to Schedule

Valuation Date / Timing 6/30/2019 (for contributions made in FY2020-2021)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2020 - 21):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (19 years remaining as of 6/30/19), the remaining UAL as of June 30, 2013 (11 years as of 6/30/19), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	11 years remaining as of June 30, 2019
Asset valuation method	Market Value
Inflation	2.75% per year
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	7.00%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRA Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Rates of mortality for active members are specified by CalPERS 2017 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for Safety members), with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017. 0% of all Miscellaneous and 95% of all Safety pre-retirement deaths are assumed to be service-connected.
Disabled Mortality	Rates of mortality for retired members and their beneficiaries are given by CalPERS 2017 Post-Retirement Healthy Mortality rates, adjusted by 90% for Males (Miscellaneous and Safety), with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
(Continued)

Fiscal year ended, June 30	<u>2022</u>
Contractually required contribution	\$21,859,307
Contributions in Relation to the Contractually required contribution	<u>(21,859,307)</u>
Contribution Deficiency/ (Excess)	<u><u>\$0</u></u>
Covered payroll	\$34,418,052
Contributions as a percentage of covered payroll	63.51%

Notes to Schedule

Valuation Date / Timing 6/30/2020 (for contributions made in FY2021-2022)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2021 - 22):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (18 years remaining as of 6/30/20), the remaining UAL as of June 30, 2013 (10 years as of 6/30/20), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	10 years remaining as of June 30, 2020
Asset valuation method	Market Value
Inflation	2.50% per year
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	6.75%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRAs Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Mortality rates for Miscellaneous active members are based on the sex distinct Public General 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments. Mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments. 10% of Safety member active deaths are assumed to occur in the line of duty
Disabled Mortality	Mortality Rates for Retired Disabled Members", should be "Rates of mortality for Miscellaneous disabled members are based on the sex distinct Public General 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments. Rates of mortality for Safety disabled members are based on the sex distinct Public Safety 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, adjusted by 95% for males with no adjustment for females.

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
(Continued)

Fiscal year ended, June 30	<u>2023</u>
Contractually required contribution	\$21,446,744
Contributions in Relation to the Contractually required contribution	<u>(21,446,744)</u>
Contribution Deficiency/ (Excess)	<u>\$0</u>
Covered payroll	\$35,543,480
Contributions as a percentage of covered payroll	60.34%

Notes to Schedule

Valuation Date / Timing 6/30/2021 (for contributions made in FY2022-2023)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2022 - 23):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (17 years remaining as of 6/30/21), the remaining UAL as of June 30, 2013 (9 years as of 6/30/21), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	9 years remaining as of June 30, 2021
Asset valuation method	Market Value
Inflation	2.50% per year
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	6.75%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRA Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Mortality rates for Miscellaneous active members are based on the sex distinct Public General 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments. Mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments. 10% of Safety member active deaths are assumed to occur in the line of duty.
Disabled Mortality	Mortality Rates for Retired Disabled Members", should be "Rates of mortality for Miscellaneous disabled members are based on the sex distinct Public General 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments. Rates of mortality for Safety disabled members are based on the sex distinct Public Safety 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, adjusted by 95% for males with no adjustment for females.

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)

Measurement period	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total OPEB liability							
Service cost	\$766,000	\$789,000	\$822,000	\$805,000	\$687,000	\$679,000	\$566,000
Interest	3,447,000	3,540,000	3,435,000	3,515,000	3,196,000	3,238,000	2,946,000
Differences between expected and actual experience		(4,107,000)		(3,040,000)		(4,063,000)	-
Assumption changes		4,831,000		(2,735,000)		2,748,000	-
Benefit payments, including refunds of employee contributions	(2,896,000)	(3,015,000)	(3,028,000)	(3,072,000)	(3,225,000)	(3,315,000)	(3,286,000)
Net change in total OPEB liability	1,317,000	2,038,000	1,229,000	(4,527,000)	658,000	(713,000)	226,000
Total OPEB liability - beginning	48,226,000	49,543,000	51,581,000	52,810,000	48,283,000	48,941,000	48,228,000
Total OPEB liability - ending (a)	\$49,543,000	\$51,581,000	\$52,810,000	\$48,283,000	\$48,941,000	\$48,228,000	\$48,454,000
OPEB fiduciary net position							
Contributions - employer	\$2,896,000	\$3,475,000	\$3,573,000	\$3,725,000	\$3,784,000	\$3,323,000	\$3,294,000
Net investment income	157,000	1,675,000	1,425,000	1,224,000	770,000	6,319,000	(3,922,000)
Benefit payments, including refunds of employee contributions	(2,896,000)	(3,015,000)	(3,028,000)	(3,072,000)	(3,225,000)	(3,315,000)	(3,286,000)
Administrative expense	(7,000)	(8,000)	(44,000)	(12,000)	(19,000)	(17,000)	(15,000)
Net change in plan fiduciary net position	150,000	2,127,000	1,926,000	1,865,000	1,310,000	6,310,000	(3,929,000)
Plan fiduciary net position - beginning	15,608,000	15,758,000	17,885,000	19,811,000	21,676,000	22,986,000	29,296,000
Plan fiduciary net position - ending (b)	\$15,758,000	\$17,885,000	\$19,811,000	\$21,676,000	\$22,986,000	29,296,000	25,367,000
Plan net OPEB liability - ending (a) - (b)	\$33,785,000	\$33,696,000	\$32,999,000	\$26,607,000	\$25,955,000	\$18,932,000	\$23,087,000
Plan fiduciary net position as a percentage of the total OPEB liability	31.81%	34.67%	37.51%	44.89%	46.97%	60.74%	52.35%
Covered employee payroll	\$37,846,000	\$32,885,000	\$36,350,000	\$40,496,000	\$39,920,000	\$39,310,000	\$43,602,857
Plan net OPEB liability as a percentage of covered employee payroll	89.27%	102.47%	90.78%	65.70%	65.02%	48.16%	52.95%

Historical information is required only for the measurement periods for which GASB 75 is applicable.

<p style="text-align: center;">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023</p>
--

SCHEDULE OF CONTRIBUTIONS

Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)

Fiscal year	<u>2016-17</u>
Actuarially determined contribution	\$3,450,000
Contributions in relation to the actuarially determined contribution	<u>(3,475,000)</u>
Contribution deficiency (excess)	<u>(\$25,000)</u>
Covered employee payroll	\$32,885,000
Contributions as a percentage of covered employee payroll	10.49%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 06/30/17.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	19 years remaining as of June 30, 2016
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	7.25%
Contribution Policy	City contributes full ADC
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	Same as June 30, 2015 actuarial valuation
Mortality Improvement	Mortality projected fully generational with Scale MP-14, modified to converge to ultimate improvement rates in 2022
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Salary Increases	Aggregate - 3% Merit - 6/30/14 MCERA assumptions
Medical Trend	Non-Medicare - 6.5% for 2017, decreasing 0.5% per year to an ultimate rate of 4.50% for 2021 and Medicare - 6.7% for 2017, decreasing to an ultimate rate of 4.5% for 2021 and later years
Healthcare participation for future retirees	Capped benefit: 100% currently covered, 80% currently waived PEMHCA minimum - 60%
Cap Increases	None

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

SCHEDULE OF CONTRIBUTIONS

Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)
(Continued)

Fiscal year	<u>2017-18</u>
Actuarially determined contribution	\$3,530,000
Contributions in relation to the actuarially determined contribution	<u>(3,563,000)</u>
Contribution deficiency (excess)	<u>(\$33,000)</u>
Covered employee payroll	\$36,350,000
Contributions as a percentage of covered employee payroll	9.80%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/18 and 6/30/19.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	18 years remaining as of June 30, 2017
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75% at June 30, 2017; 7.25% at June 30, 2016
Contribution Policy	City contributes full ADC
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	Same as June 30, 2017 actuarial valuation
Mortality Improvement	Pre-retirement mortality: projected 15-year static with 90% of Scale MP-2016 Post-retirement mortality: projected fully generational with Scale MP-2017
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Salary Increases	Aggregate - 3% Merit - 6/30/17 MCERA assumptions
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to 4.00% for 2076 and later years and Medicare - 6.5% for 2019, decreasing to 4.00% for 2076 and later years
Healthcare participation for future retirees	Capped benefit: 100% currently covered, 80% currently waived PEMHCA minimum - 60%
Cap Increases	None

CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023

SCHEDULE OF CONTRIBUTIONS

Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)
(Continued)

Fiscal year	<u>2018-19</u>
Actuarially determined contribution	\$3,612,000
Contributions in relation to the actuarially determined contribution	<u>(3,725,000)</u>
Contribution deficiency (excess)	<u>(\$113,000)</u>
Covered employee payroll	\$40,496,000
Contributions as a percentage of covered employee payroll	9.20%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/18 and 6/30/19.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	18 years remaining as of June 30, 2017
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75% at June 30, 2017; 7.25% at June 30, 2016
Contribution Policy	City contributes full ADC
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	Same as June 30, 2017 actuarial valuation
Mortality Improvement	Pre-retirement mortality: projected 15-year static with 90% of Scale MP-2016 Post-retirement mortality: projected fully generational with Scale MP-2017
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Salary Increases	Aggregate - 3% Merit - 6/30/17 MCERA assumptions
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to 4.00% for 2076 and later years and Medicare - 6.5% for 2019, decreasing to 4.00% for 2076 and later years
Healthcare participation for future retirees	Capped benefit: 100% currently covered, 80% currently waived PEMHCA minimum - 60%
Cap Increases	None

<p style="text-align: center;">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023</p>
--

SCHEDULE OF CONTRIBUTIONS

Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)
(Continued)

Fiscal year	<u>2019-20</u>
Actuarially determined contribution	\$3,677,000
Contributions in relation to the actuarially determined contribution	<u>(3,784,000)</u>
Contribution deficiency (excess)	<u>(\$107,000)</u>
Covered employee payroll	\$39,920,000
Contributions as a percentage of covered employee payroll	9.48%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2019 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/20 and 6/30/21.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	16 years remaining as of June 30, 2019
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75% at June 30, 2019 and June 30, 2018, respectively
Contribution Policy	City contributes full ADC
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	Same as June 30, 2017 actuarial valuation
Mortality Improvement	Mortality projected fully generational with Scale MP-2019
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Salary Increases	Aggregate - 3% Merit - 6/30/19 MCERA assumptions
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.00% in 2076
Healthcare participation for future retirees	Capped benefit: 90% currently covered, 70% currently waived PEMHCA minimum - 60%
Cap Increases	None

<p style="text-align: center;">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023</p>
--

SCHEDULE OF CONTRIBUTIONS

Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)
(Continued)

Fiscal year	<u>2020-21</u>
Actuarially determined contribution	\$3,027,000
Contributions in relation to the actuarially determined contribution	<u>(3,322,583)</u>
Contribution deficiency (excess)	<u>(\$295,583)</u>
Covered employee payroll	\$39,310,000
Contributions as a percentage of covered employee payroll	8.45%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2019 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/20 and 6/30/21.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	16 years remaining as of June 30, 2019
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75% at June 30, 2020 and June 30, 2019, respectively
Contribution Policy	City contributes full ADC
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	Same as June 30, 2017 actuarial valuation
Mortality Improvement	Mortality projected fully generational with Scale MP-2019
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Salary Increases	Aggregate - 3% Merit - 6/30/19 MCERA assumptions
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.00% in 2076
Healthcare participation for future retirees	Capped benefit: 90% currently covered, 70% currently waived PEMHCA minimum - 60%
Cap Increases	None

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

SCHEDULE OF CONTRIBUTIONS

Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)

Fiscal year	<u>2021-22</u>
Actuarially determined contribution	\$3,093,000
Contributions in relation to the actuarially determined contribution	<u>(3,294,000)</u>
Contribution deficiency (excess)	<u>(\$201,000)</u>
Covered employee payroll	\$42,604,000
Contributions as a percentage of covered employee payroll	7.73%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2021 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/22 and 6/30/23.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	14 years remaining as of June 30, 2021
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.25% at June 30, 2022 and June 30, 2021, respectively
Contribution Policy	City contributes full ADC
General Inflation	2.50% per annum
Mortality, Retirement, Disability, Termination	Same as June 30, 2019 valuation
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Salary Increases	Aggregate - 2.75% Merit - Increases - same as MCERA Assumptions as of June 30, 2020 valuation
Medical Trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser) - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Healthcare participation for future retirees	Capped benefit: 90% currently covered, 70% currently waived PEMHCA minimum - 60%
Cap Increases	None

<p style="text-align: center;">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2023</p>
--

SCHEDULE OF CONTRIBUTIONS

Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)

Fiscal year	<u>2022-23</u>
Actuarially determined contribution	\$2,618,000
Contributions in relation to the actuarially determined contribution	<u>(3,183,000)</u>
Contribution deficiency (excess)	<u>(\$565,000)</u>
Covered employee payroll	\$43,602,857
Contributions as a percentage of covered employee payroll	7.30%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2021 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/22 and 6/30/23.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	13 year fixed period for 2022/23
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.25%
Contribution Policy	City contributes full ADC
General Inflation	2.5% per annum
Mortality, Retirement, Disability, Termination	0630/20 MCERA Valuation assumptions
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to keep sufficient
Salary Increases	Aggregate - 3% Merit - Increases - same as MCERA Assumptions as of June 30, 2020 valuation
Medical Trend	Non-Medicare - 6.5% for 2023 decreasing 3.75% for 2076 and later Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser) - 4.60% for 2019, decreasing to an ultimate rate of 3.75% in 2076
Healthcare participation for future retirees	Capped benefit: 100% currently covered, 80% currently waived PEMHCA minimum - 60%
Cap Increases	None



<p style="text-align: center;">GENERAL FUND AND MAJOR SPECIAL REVENUE FUND BUDGET-TO-ACTUAL STATEMENTS</p>

Generally accepted accounting principles dictate that budget-to-actual information in the basic financial statements should be limited to the General Fund and major Special Revenue Funds. This section is provided for the presentation of Budget-to-Actual Statements for the General Fund, Traffic and Housing Mitigation, and the Gas Tax Special Revenue Funds.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the General Fund and Special Revenue Funds.

CITY OF SAN RAFAEL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes and special assessments	\$85,123,414	\$86,623,414	\$86,808,092	\$184,678
Licenses and permits	3,010,159	3,010,159	3,002,122	(8,037)
Fines and forfeitures	186,732	186,732	228,966	42,234
Use of money and properties	47,500	47,500	684,150	636,650
Intergovernmental	4,345,765	4,345,765	3,521,419	(824,346)
Charges for services	3,048,215	3,048,215	2,843,882	(204,333)
Other revenue	1,006,395	1,006,395	1,010,712	4,317
Total Revenues	96,768,180	98,268,180	98,099,343	(168,837)
EXPENDITURES				
Current:				
General government	15,361,785	15,762,644	13,114,356	2,648,288
Public safety	48,463,764	49,463,764	47,070,997	2,392,767
Public works and parks	14,273,239	14,273,239	14,602,766	(329,527)
Community development	6,323,809	6,398,809	5,174,237	1,224,572
Culture and recreation	3,266,529	3,266,529	3,201,698	64,831
Capital outlay	92,776	92,776		92,776
Debt service:				
Principal	2,956,642	2,956,642	3,044,551	(87,909)
Interest and fiscal charges	2,232,925	2,232,925	2,241,875	(8,950)
Total Expenditures	92,971,469	94,447,328	88,450,480	5,996,848
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,796,711	3,820,852	9,648,863	5,828,011
OTHER FINANCING SOURCES (USES)				
Transfers in	1,770,072	1,131,142	1,131,142	
Transfers out	(3,307,000)	(16,793,126)	(16,793,126)	
Total Other Financing Sources (Uses)	(1,536,928)	(15,661,984)	(15,661,984)	
Net Change in Fund Balance	\$2,259,783	(\$11,841,132)	(6,013,121)	\$5,828,011
FUND BALANCE, BEGINNING OF YEAR			33,781,119	
FUND BALANCE, END OF YEAR			\$27,767,998	

CITY OF SAN RAFAEL
TRAFFIC AND HOUSING MITIGATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Use of money and properties			\$112,664	\$112,664
Intergovernmental	\$225,000	\$225,000	225,000	
Charges for services	650,000	650,000	697,658	47,658
Total Revenues	875,000	875,000	1,035,322	160,322
EXPENDITURES				
Current:				
General government	105,000	105,000		105,000
Public works and parks	600,000	600,000	142,969	457,031
Community development			16,009	(16,009)
Capital outlay	200,000	200,000	64,050	135,950
Total Expenditures	905,000	905,000	223,028	681,972
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(30,000)	(30,000)	812,294	842,294
OTHER FINANCING SOURCES (USES)				
Transfers in		8,897	8,897	
Total Other Financing Sources (Uses)		8,897	8,897	
Net Change in Fund Balance	(\$30,000)	(\$21,103)	821,191	\$842,294
FUND BALANCE, BEGINNING OF YEAR			4,871,871	
FUND BALANCE, END OF YEAR			\$5,693,062	

CITY OF SAN RAFAEL
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Use of money and properties			\$79,353	\$79,353
Intergovernmental	\$29,435,867	\$29,435,867	19,123,868	(10,311,999)
Charges for services	2,007,767	2,007,767	2,419,840	412,073
Other revenue	250,000	250,000	137,258	(112,742)
Total Revenues	31,693,634	31,693,634	21,760,319	(9,933,315)
EXPENDITURES				
Current:				
Public works and parks	2,585,000	3,405,000	3,695,723	(290,723)
Capital outlay	25,660,000	26,655,013	13,170,654	13,484,359
Total Expenditures	28,245,000	30,060,013	16,866,377	13,193,636
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,448,634	1,633,621	4,893,942	3,260,321
OTHER FINANCING SOURCES (USES)				
Transfers in		32,400	32,400	
Transfers out	(650,000)	(8,897)	(8,897)	
Total Other Financing Sources (Uses)	(650,000)	23,503	23,503	
Net Change in Fund Balance	\$2,798,634	\$1,657,124	4,917,445	\$3,260,321
FUND BALANCE, BEGINNING OF YEAR			6,918,267	
FUND BALANCE, END OF YEAR			\$11,835,712	

CITY OF SAN RAFAEL
 ESSENTIAL FACILITIES CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Use of money and property			\$27,274	\$27,274
Total Revenues			27,274	27,274
EXPENDITURES				
Capital outlay	\$3,996,830	\$6,213,497	6,213,497	
Total Expenditures	3,996,830	6,213,497	6,213,497	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,996,830)	(6,213,497)	(6,186,223)	27,274
OTHER FINANCING SOURCES (USES)				
Transfers in		586,926	586,926	
Total Other Financing Sources (Uses)		586,926	586,926	
Net Change in Fund Balance	<u>(\$3,996,830)</u>	<u>(\$5,626,571)</u>	(5,599,297)	<u>\$27,274</u>
FUND BALANCE, BEGINNING OF YEAR			9,317,312	
FUND BALANCE, END OF YEAR			<u>\$3,718,015</u>	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Recreation Revolving Fund – Established to administer the Recreation Department’s program and facility rental charge and accounts for the Recreation Memorial Fund.

Baypoint Lagoons Assessment District Fund – The Baypoint Lagoons Lighting and Landscape District was formed to protect and enhance wildlife habitat and water quality in Baypoint (Spinnaker) Lagoon and the adjacent diked salt marsh.

Household Hazmat Facility Fund – Established to account for State mandated hazardous materials information, collection, and reporting. Expenditures include inspection of businesses for compliance with regulations. This fund also serves as the depository for countywide Household Hazardous Waste Program.

Childcare Fund – Established to administer and account for childcare programs at eight sites throughout the City.

Loch Lomond #10 Community Facilities District Fund – Established to provide maintenance for stormwater and geotechnical mitigation facilities. A Mello Roos District was formed to fund this maintenance.

Loch Lomond Marina #2 Community Facilities District Fund – Established to report tax assessments and maintenance expenditures of the District.

Library Fund – Established to account for restricted library activities that are intended to be self-funding.

Library Assessment Fund – Established to account for a special parcel tax dedicated to public library services and facilities, equipment, and technology improvements.

Public Safety Fund – Established for special police services that are intended to be self-funding.

Stormwater Fund – Established to provide for self-funding storm drain maintenance program plus separate programs through the County and Bay Area to educate residents about urban runoff pollution.

Development Services Fund – Established to account for development activities that are supported by external sources of funds. This fund does not account for the operating costs of building, planning, and engineering, which are located in the General Fund.

Grants Fund – Established to account for grants for the Library, Childcare, Police and Falkirk Cultural Center.

Parkland Dedication Fund – Established to account for long-term developer deposits used to enhance and maintain the park structure within City limits.

Emergency Medical Services Fund – Established to account for the Emergency Medical Services and Transportation program that provides services to all segments of the community.

Business Improvement Fund – Established to account for activities held in Downtown San Rafael.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Pt. San Pedro Maintenance Portion Special Revenue Fund – Established to account for ongoing maintenance needs within the Pt. San Pedro assessment district.

Low and Moderate Income Housing Special Revenue Fund – Established to account for the activities related to the assets assumed by the City as Housing Successor to the San Rafael Redevelopment Agency for the housing activities of the former Redevelopment Agency.

Measure A Open Space Special Revenue Fund – Established to account for the use of proceeds distributed by the County of Marin from Measure A, as well as other supplementary matching or City-funding for the operation or maintenance of open space, park or recreation lands.

Measure G Cannabis Special Revenue Fund – Established for the purpose of reporting tax revenue and expenditures related to Cannabis activities authorized by Measure G.

Measure C Wildfire Prevention Special Revenue Fund – Established for the purpose of reporting tax revenue and expenditures related to coordinated wildfire prevention activities authorized by Measure C, a parcel tax measure approved on March 3, 2020 by a two-thirds supermajority vote. This is a ten-year parcel tax levying up to 10 cents per building square foot tax and \$75 per multifamily unit.

CAPITAL PROJECTS FUNDS

Capital Improvement Fund – Established for the costs associated with major capital improvement projects not tied to specific funds elsewhere. Improvements could include medians, parkways, sidewalks, and other public assets.

Bedroom Tax Fund – Established to collect funds from multiple-unit housing used to pay for maintaining and developing parks within local neighborhoods.

Assessment Districts Fund – Established to account for ongoing construction and improvement needs within the following assessment districts: Peacock Gap, Kerner Boulevard, Sun Valley/Lucas Valley Open Space, East San Rafael Drainage Assessment District 1.

Park Capital Projects Fund – Established to account for capital improvements for all City owned parks, whether paid for by City funds, grants, donations, or partnership with the community.

Open Space Fund – Established for the acquisition of open space.

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Loch Lomond #10 Community Facilities Dist.
ASSETS					
Cash and investments	\$840,012	\$224,610	\$559,605	\$651,512	\$809,720
Restricted cash and investments					
Receivables:					
Accounts	178,237		343,366		
Taxes		127			142
Grants				913	
Interest					
Loans					
Leases	177,143				
Prepaid expense	230				
Total Assets	<u>\$1,195,622</u>	<u>\$224,737</u>	<u>\$902,971</u>	<u>\$652,425</u>	<u>\$809,862</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$194,965		\$330,514	\$41,460	
Deposits payable					
Developer deposits payable					
Unearned revenue	468,456				
Total Liabilities	<u>663,421</u>		<u>330,514</u>	<u>41,460</u>	
Deferred Inflows of Resources:					
Unavailable revenue - leases	169,488				
Total Deferred Inflows of Resources	<u>169,488</u>				
Fund Balances:					
Nonspendable	230				
Restricted	362,483	\$224,737	572,457	610,965	809,862
Committed					
Assigned					
Total Fund Balances	<u>362,713</u>	<u>224,737</u>	<u>572,457</u>	<u>610,965</u>	<u>809,862</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,195,622</u>	<u>\$224,737</u>	<u>\$902,971</u>	<u>\$652,425</u>	<u>\$809,862</u>

SPECIAL REVENUE FUNDS

Loch Lomond Marina #2 Community Facilities Dist.	Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication
\$899,821	\$4,444,598	\$1,024,440	\$156,410	\$7,269,767	\$192,304	\$1,090,357	\$359,989
1,221		4,664		115,583 4,216	226,438	165,000 31,019	
					276,042		
<u>\$901,042</u>	<u>\$4,444,598</u>	<u>\$1,029,104</u>	<u>\$156,410</u>	<u>\$7,389,566</u>	<u>\$694,784</u>	<u>\$1,286,376</u>	<u>\$359,989</u>
\$4,087	\$134	\$94,819	\$32,047	\$760,107	\$29,614 1,311 3,635	\$50,737 185,256	
<u>4,087</u>	<u>134</u>	<u>94,819</u>	<u>32,047</u>	<u>760,107</u>	<u>34,560</u>	<u>235,993</u>	
					260,196		
					260,196		
896,955	4,444,464	934,285	124,363	6,629,459	400,028	1,050,383	\$359,989
<u>896,955</u>	<u>4,444,464</u>	<u>934,285</u>	<u>124,363</u>	<u>6,629,459</u>	<u>400,028</u>	<u>1,050,383</u>	<u>359,989</u>
<u>\$901,042</u>	<u>\$4,444,598</u>	<u>\$1,029,104</u>	<u>\$156,410</u>	<u>\$7,389,566</u>	<u>\$694,784</u>	<u>\$1,286,376</u>	<u>\$359,989</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS				
	Emergency Medical Services	Business Improvement	Pt. San Pedro Maintenance Portion	Low and Moderate Income Housing	Measure A Open Space
ASSETS					
Cash and investments	\$1,323,721	\$58,594	\$177,407	\$27,592	\$228,836
Restricted cash and investments					
Receivables:					
Accounts	298,748			45,232	
Taxes	26,131		817		279,694
Grants	658,492				
Interest					
Loans				1,799,220	
Leases					
Prepaid expense	182,660				
Total Assets	<u>\$2,489,752</u>	<u>\$58,594</u>	<u>\$178,224</u>	<u>\$1,872,044</u>	<u>\$508,530</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$25,251	\$58,594	\$3,256		\$33,477
Deposits payable					
Developer deposits payable					
Unearned revenue					
Total Liabilities	<u>25,251</u>	<u>58,594</u>	<u>3,256</u>		<u>33,477</u>
Deferred Inflows of Resources:					
Unavailable revenue - leases					
Total Deferred Inflows of Resources					
Fund Balances:					
Nonspendable	182,660				
Restricted	2,281,841		174,968	\$1,872,044	475,053
Committed					
Assigned					
Total Fund Balances	<u>2,464,501</u>		<u>174,968</u>	<u>1,872,044</u>	<u>475,053</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$2,489,752</u>	<u>\$58,594</u>	<u>\$178,224</u>	<u>\$1,872,044</u>	<u>\$508,530</u>

SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS					Total Non-Major Governmental Funds
Measure G Cannabis	Measure C Wildfire Prevention	Capital Improvement	Bedroom Tax	Assessment Districts	Park Capital Projects	Open Space	
\$1,089,495	\$508,218	\$4,137,231	\$142,339	\$216,354 82,369	\$21,861	\$119,248	\$26,574,041 82,369
61,241	1,020,805						2,393,409 378,253 690,424 6,158 1,799,220 453,185 182,890
		6,158					
<u>\$1,150,736</u>	<u>\$1,529,023</u>	<u>\$4,143,389</u>	<u>\$142,339</u>	<u>\$298,723</u>	<u>\$21,861</u>	<u>\$119,248</u>	<u>\$32,559,949</u>
	\$142,612	\$153,585 2,821					\$1,955,259 189,388 3,635 468,456
	142,612	156,406					2,616,738
							429,684
							429,684
1,150,736	1,386,411	3,986,983	142,339	298,723	21,861	119,248	182,890 25,202,545 4,008,844 119,248
<u>1,150,736</u>	<u>1,386,411</u>	<u>3,986,983</u>	<u>142,339</u>	<u>298,723</u>	<u>21,861</u>	<u>119,248</u>	<u>29,513,527</u>
<u>\$1,150,736</u>	<u>\$1,529,023</u>	<u>\$4,143,389</u>	<u>\$142,339</u>	<u>\$298,723</u>	<u>\$21,861</u>	<u>\$119,248</u>	<u>\$32,559,949</u>

CITY OF SAN RAFAEL
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Loch Lomond #10 Community Facilities Dist.
REVENUES					
Taxes and special assessments		\$25,368			\$28,308
Use of money and properties	\$44,505	2,713	\$5,586	\$5,098	10,010
Intergovernmental	8,110			770,325	
Charges for services	1,958,147		177,582	3,183,904	
Other revenue	10,802			32,304	
Total Revenues	2,021,564	28,081	183,168	3,991,631	38,318
EXPENDITURES					
Current:					
General government			1,720		
Public safety			120,622		
Public works and parks		7,589			(36)
Culture and recreation	4,350,403			3,725,218	
Capital outlay					
Total Expenditures	4,350,403	7,589	122,342	3,725,218	(36)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,328,839)	20,492	60,826	266,413	38,354
OTHER FINANCING SOURCES (USES)					
Transfers in	2,207,000				
Transfers out					
Total Other Financing Sources (Uses)	2,207,000				
Net Change in Fund Balances	(121,839)	20,492	60,826	266,413	38,354
Fund Balance, Beginning	484,552	204,245	511,631	344,552	771,508
Fund Balance, Ending	\$362,713	\$224,737	\$572,457	\$610,965	\$809,862

SPECIAL REVENUE FUNDS

Loch Lomond Marina #2 Community Facilities Dist.	Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication
\$244,286		\$1,132,972					\$11,797
10,453	\$48,755	11,534	\$1,395	\$21,280	\$50,383		4,452
	1,400,000		82,847			\$1,670,887	
	4,148			832,584			
	15,831		29,671	3,079		1,177	
<u>254,739</u>	<u>1,468,734</u>	<u>1,144,506</u>	<u>113,913</u>	<u>856,943</u>	<u>50,383</u>	<u>1,672,064</u>	<u>16,249</u>
						543,443	
94,693			207,633	858,666		485,230	
	44,833	1,169,872					
	66,957			1,888,523		463	
<u>94,693</u>	<u>111,790</u>	<u>1,169,872</u>	<u>207,633</u>	<u>2,747,189</u>		<u>1,029,136</u>	
<u>160,046</u>	<u>1,356,944</u>	<u>(25,366)</u>	<u>(93,720)</u>	<u>(1,890,246)</u>	<u>50,383</u>	<u>642,928</u>	<u>16,249</u>
			85,000	7,250,000		11,253	
			85,000	7,250,000		11,253	
160,046	1,356,944	(25,366)	(8,720)	5,359,754	50,383	654,181	16,249
736,909	3,087,520	959,651	133,083	1,269,705	349,645	396,202	343,740
<u>\$896,955</u>	<u>\$4,444,464</u>	<u>\$934,285</u>	<u>\$124,363</u>	<u>\$6,629,459</u>	<u>\$400,028</u>	<u>\$1,050,383</u>	<u>\$359,989</u>

(Continued)

CITY OF SAN RAFAEL
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS				
	Emergency Medical Services	Business Improvement	Pt. San Pedro - Maintenance Portion	Low and Moderate Income Housing	Measure A Open Space
REVENUES					
Taxes and special assessments	\$5,224,387		\$141,705		\$586,957
Use of money and properties	8,656		1,960	\$30,833	5,504
Intergovernmental	712,173				
Charges for services	3,708,025				
Other revenue	400,679		8,845	54,407	
Total Revenues	10,053,920		152,510	85,240	592,461
EXPENDITURES					
Current:					
General government				85,766	
Public safety	8,422,019				
Public works and parks			117,578		15,640
Culture and recreation					172,258
Capital outlay					710,466
Total Expenditures	8,422,019		117,578	85,766	898,364
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,631,901		34,932	(526)	(305,903)
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	1,631,901		34,932	(526)	(305,903)
Fund Balance, Beginning	832,600		140,036	1,872,570	780,956
Fund Balance, Ending	\$2,464,501		\$174,968	\$1,872,044	\$475,053

SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS					Total Non-Major Governmental Funds
Measure G Cannabis	Measure C Wildfire Prevention	Capital Improvement	Bedroom Tax	Assessment Districts	Park Capital Projects	Open Space	
\$337,028	\$1,822,040		\$10,455				\$9,565,303
9,185	4,325	\$43,089	1,734	\$969		\$1,493	323,912
	1,076,257						5,720,599
							9,864,390
	8,664	605,505			\$3,925		1,174,889
346,213	2,911,286	648,594	12,189	969	3,925	1,493	26,649,093
113,339							744,268
39,320	2,328,057						11,602,881
							1,094,130
		1,422,230					9,462,584
							4,088,639
152,659	2,328,057	1,422,230					26,992,502
193,554	583,229	(773,636)	12,189	969	3,925	1,493	(343,409)
		3,264,200					12,817,453
(11,069)				(7,388)			(18,457)
(11,069)		3,264,200		(7,388)			12,798,996
182,485	583,229	2,490,564	12,189	(6,419)	3,925	1,493	12,455,587
968,251	803,182	1,496,419	130,150	305,142	17,936	117,755	17,057,940
\$1,150,736	\$1,386,411	\$3,986,983	\$142,339	\$298,723	\$21,861	\$119,248	\$29,513,527

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS					
	Recreation Revolving			Baypoint Lagoons Assessment District		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments				\$25,000	\$25,368	\$368
Use of money and properties	\$28,900	\$44,505	\$15,605		2,713	2,713
Intergovernmental	48,000	8,110	(39,890)			
Charges for services	2,269,030	1,958,147	(310,883)			
Other revenue	475	10,802	10,327			
Total Revenues	2,346,405	2,021,564	(324,841)	25,000	28,081	3,081
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks				208,655	7,589	201,066
Culture and recreation	4,770,850	4,350,403	420,447			
Capital outlay						
Total Expenditures	4,770,850	4,350,403	420,447	208,655	7,589	201,066
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,424,445)	(2,328,839)	95,606	(183,655)	20,492	204,147
OTHER FINANCING SOURCES (USES)						
Transfers in	2,207,000	2,207,000				
Transfers out						
Total Other Financing Sources (Uses)	2,207,000	2,207,000				
NET CHANGE IN FUND BALANCE	(\$217,445)	(121,839)	\$95,606	(\$183,655)	20,492	\$204,147
FUND BALANCES, BEGINNING OF YEAR		484,552			204,245	
FUND BALANCES, END OF YEAR		\$362,713			\$224,737	

SPECIAL REVENUE FUNDS

Household Hazmat Facility			Childcare			Loch Lomond #10 Community Facilities District		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
	\$5,586	\$5,586		\$5,098	\$5,098	\$25,000	\$28,308	\$3,308
			\$460,945	770,325	309,380		10,010	10,010
\$187,500	177,582	(9,918)	2,980,000	3,183,904	203,904			
				32,304	32,304			
187,500	183,168	(4,332)	3,440,945	3,991,631	550,686	25,000	38,318	13,318
	1,720	(1,720)						
177,428	120,622	56,806						
			3,931,097	3,725,218	205,879	23,418	(36)	23,454
177,428	122,342	55,086	3,931,097	3,725,218	205,879	23,418	(36)	23,454
10,072	60,826	50,754	(490,152)	266,413	756,565	1,582	38,354	36,772
\$10,072	60,826	\$50,754	(\$490,152)	266,413	\$756,565	\$1,582	38,354	\$36,772
	511,631			344,552			771,508	
	\$572,457			\$610,965			\$809,862	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

SPECIAL REVENUE FUNDS					
Loch Lomond Marina #2 Community Facilities District			Library		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES					
Taxes and special assessments	\$83,000	\$244,286	\$161,286		
Use of money and properties		10,453	10,453	\$48,755	\$48,755
Intergovernmental			\$1,000	1,400,000	1,399,000
Charges for services			1,150	4,148	2,998
Other revenue			14,500	15,831	1,331
Total Revenues	83,000	254,739	171,739	1,468,734	1,452,084
EXPENDITURES					
Current:					
General government					
Public safety					
Public works and parks	191,114	94,693	96,421		
Culture and recreation			111,790	44,833	66,957
Capital outlay				66,957	(66,957)
Total Expenditures	191,114	94,693	96,421	111,790	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(108,114)	160,046	268,160	(95,140)	1,356,944
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out					
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCE	<u>(\$108,114)</u>	160,046	<u>\$268,160</u>	<u>(\$95,140)</u>	1,356,944
FUND BALANCES, BEGINNING OF YEAR		<u>736,909</u>		<u>3,087,520</u>	
FUND BALANCES, END OF YEAR		<u>\$896,955</u>		<u>\$4,444,464</u>	

SPECIAL REVENUE FUNDS

Library Assessment			Public Safety			Stormwater		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$1,133,502	\$1,132,972	(\$530)						
	11,534	11,534		\$1,395	\$1,395		\$21,280	\$21,280
			\$80,000	82,847	2,847			
						\$830,000	832,584	2,584
			15,000	29,671	14,671		3,079	3,079
<u>1,133,502</u>	<u>1,144,506</u>	<u>11,004</u>	<u>95,000</u>	<u>113,913</u>	<u>18,913</u>	<u>830,000</u>	<u>856,943</u>	<u>26,943</u>
			207,634	207,633	1			
						4,734,950	858,666	3,876,284
1,169,872	1,169,872							
						7,716,266	1,888,523	5,827,743
<u>1,169,872</u>	<u>1,169,872</u>		<u>207,634</u>	<u>207,633</u>	<u>1</u>	<u>12,451,216</u>	<u>2,747,189</u>	<u>9,704,027</u>
<u>(36,370)</u>	<u>(25,366)</u>	<u>11,004</u>	<u>(112,634)</u>	<u>(93,720)</u>	<u>18,914</u>	<u>(11,621,216)</u>	<u>(1,890,246)</u>	<u>9,730,970</u>
			85,000	85,000		7,250,000	7,250,000	
			85,000	85,000		7,250,000	7,250,000	
<u>(\$36,370)</u>	<u>(25,366)</u>	<u>\$11,004</u>	<u>(\$27,634)</u>	<u>(8,720)</u>	<u>\$18,914</u>	<u>(\$4,371,216)</u>	<u>5,359,754</u>	<u>\$9,730,970</u>
	959,651			133,083			1,269,705	
	<u>\$934,285</u>			<u>\$124,363</u>			<u>\$6,629,459</u>	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

SPECIAL REVENUE FUNDS					
	Development Services			Grants	
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Variance Positive (Negative)
REVENUES					
Taxes and special assessments					
Use of money and properties	\$37,000	\$50,383	\$13,383		
Intergovernmental				\$2,401,572	\$1,670,887
Charges for services					
Other revenue					1,177
					1,177
Total Revenues	37,000	50,383	13,383	2,401,572	1,672,064
					(729,508)
EXPENDITURES					
Current:					
General government				1,984,086	543,443
Public safety				595,415	485,230
Public works and parks					
Culture and recreation					
Capital outlay				463	463
Total Expenditures				2,579,964	1,029,136
					1,550,828
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37,000	50,383	13,383	(178,392)	642,928
					821,320
OTHER FINANCING SOURCES (USES)					
Transfers in				11,253	11,253
Transfers out					
Total Other Financing Sources (Uses)				11,253	11,253
NET CHANGE IN FUND BALANCE	\$37,000	50,383	\$13,383	(\$167,139)	654,181
					\$821,320
FUND BALANCES, BEGINNING OF YEAR		349,645			396,202
FUND BALANCES, END OF YEAR		\$400,028			\$1,050,383

SPECIAL REVENUE FUNDS

Parkland Dedication			Emergency Medical Services			Business Improvement		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
	\$11,797	\$11,797	\$5,227,120	\$5,224,387	(\$2,733)			
	4,452	4,452		8,656	8,656			
			181,100	712,173	531,073			
			2,800,000	3,708,025	908,025			
			450,000	400,679	(49,321)			
	16,249	16,249	8,658,220	10,053,920	1,395,700			
			8,821,778	8,422,019	399,759			
			8,821,778	8,422,019	399,759			
	16,249	16,249	(163,558)	1,631,901	1,795,459			
	16,249	\$16,249	(\$163,558)	1,631,901	\$1,795,459			
	343,740			832,600				
	\$359,989			\$2,464,501				

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

SPECIAL REVENUE FUNDS					
	Pt. San Pedro-Maintenance Portion			Low and Moderate Income Housing	
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Variance Positive (Negative)
REVENUES					
Taxes and special assessments	\$150,000	\$141,705	(\$8,295)		
Use of money and properties		1,960	1,960		\$30,833
Intergovernmental					\$30,833
Charges for services					
Other revenue	8,000	8,845	845		54,407
					54,407
Total Revenues	158,000	152,510	(5,490)		85,240
					85,240
EXPENDITURES					
Current:					
General government				\$95,000	85,766
Public safety					9,234
Public works and parks	192,186	117,578	74,608		
Culture and recreation					
Capital outlay					
Total Expenditures	192,186	117,578	74,608	95,000	85,766
					9,234
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(34,186)	34,932	69,118	(95,000)	(526)
					94,474
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out					
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCE	(\$34,186)	34,932	\$69,118	(\$95,000)	(526)
					\$94,474
FUND BALANCES, BEGINNING OF YEAR		140,036			1,872,570
FUND BALANCES, END OF YEAR		\$174,968			\$1,872,044

SPECIAL REVENUE FUNDS

Measure A Open Space			Measure G Cannabis			Measure C Wildfire Prevention		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$206,806	\$586,957 5,504	\$380,151 5,504	\$300,000	\$337,028 9,186	\$37,028 9,186	\$1,899,260	\$1,822,040 4,325 1,076,257	(\$77,220) 4,325 1,076,257
				(1)			8,664	8,664
206,806	592,461	385,655	300,000	346,213	46,214	1,899,260	2,911,286	1,012,026
			120,325 38,731	113,339 39,320	6,986 (589)	2,292,059	2,328,057	(35,998)
	15,640 780,000 520,000	(15,640) 607,742 (190,466)				36,000		36,000
1,300,000	898,364	401,636	159,056	152,659	6,397	2,328,059	2,328,057	2
(1,093,194)	(305,903)	787,291	140,944	193,554	52,610	(428,799)	583,229	1,012,028
				(11,069)	(11,069)			
				(11,069)	(11,069)			
<u>(\$1,093,194)</u>	<u>(305,903)</u>	<u>\$787,291</u>	<u>\$140,944</u>	182,485	<u>\$41,541</u>	<u>(\$428,799)</u>	583,229	<u>\$1,012,028</u>
	780,956			968,251			803,182	
	<u>\$475,053</u>			<u>\$1,150,736</u>			<u>\$1,386,411</u>	



INTERNAL SERVICE FUNDS

Internal service funds account for department services and financing performed for other departments within the same governmental jurisdiction. Funding comes from charges assessed to the departments benefiting from the service.

Building Maintenance Fund – Established to account for construction projects and cyclical large dollar maintenance tasks (roof, painting) completed on City owned buildings.

Vehicle Replacement Fund – Established to provide for the replacement of vehicles.

Equipment Replacement Fund – Established to provide for the replacement of computers and equipment.

Employee Benefits Fund – This fund is utilized for the payment of retiree benefits, unemployment insurance, accumulated leave requirements and other negotiated benefits not tied to a specific department.

Liability Insurance Fund – Established to maintain sufficient reserves for outstanding claims. All costs associated with liability premiums are paid from this fund.

Workers' Compensation Fund – Established to maintain sufficient reserves for injury claims. All costs associated with workers compensation, including safety training, wellness programs, claim expenses and insurance premiums are paid from this fund.

Dental Insurance Fund – Set up to maintain sufficient reserves for dental claims. All costs associated with dental claims and administrations are paid from this fund.

Employee Retirement Fund – Established to maintain sufficient reserves to fund debt service payments on the 2010 Taxable Pension Obligation Bonds and other pension related obligations.

OPEB/Retiree Medical Fund – Established to account for activities related to the funding, administration and procurement of retiree medical benefits.

Radio Replacement Fund – Established to meet radio system operating costs, capital acquisition and replacement, and operating lease obligations for the Public Works, Fire, Community Development and Police Departments. The Marin Emergency Radio Authority (MERA) is a countywide JPA that has taken the roll in procurement and installation of a new digital radio system. This fund supports San Rafael's portion of the MERA efforts and related contractual obligations.

Telephone Replacement Fund – Established to provide ongoing support services for telephone equipment and usage throughout the organization.

Sewer Maintenance Fund – Established to record both the cost of providing services to the San Rafael Sanitation District and the charges for those services.

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2023

	<u>Building Maintenance</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>
ASSETS					
Current Assets:					
Cash and investments	\$4,241,953	\$6,731,932	\$6,490,168	\$940,308	\$7,638,401
Prepaid expenses			29,246		
Capital assets:					
Nondepreciable assets	910,869				
Depreciable assets, net	<u>5,364,636</u>	<u>5,562,990</u>	<u>1,025,717</u>		
Total Assets	<u>10,517,458</u>	<u>12,294,922</u>	<u>7,545,131</u>	<u>940,308</u>	<u>7,638,401</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	1,813	3,500	205,453	31,747	4,065
Claims payable - due in one year					1,110,010
Long-term debt - due in one year	21,755				
Subscription liabilities - due in one year			221,166		
Non-current Liabilities:					
Claims payable - due in more than one year					3,553,366
Long-term debt - due in more than one year	121,463				
Subscription liabilities - due in more than one year			752,008		
Total Liabilities	<u>145,031</u>	<u>3,500</u>	<u>1,178,627</u>	<u>31,747</u>	<u>4,667,441</u>
NET POSITION:					
Net investment in capital assets	6,132,287	5,562,990	52,543		
Unrestricted	<u>4,240,140</u>	<u>6,728,432</u>	<u>6,313,961</u>	<u>908,561</u>	<u>2,970,960</u>
Total Net Position	<u>\$10,372,427</u>	<u>\$12,291,422</u>	<u>\$6,366,504</u>	<u>\$908,561</u>	<u>\$2,970,960</u>

<u>Workers'</u> <u>Compensation</u>	<u>Dental</u> <u>Insurance</u>	<u>Employee</u> <u>Retirement</u>	<u>OPEB/</u> <u>Retiree</u> <u>Medical</u>	<u>Radio</u> <u>Replacement</u>	<u>Telephone</u> <u>Replacement</u>	<u>Sewer</u> <u>Maintenance</u>	<u>Total</u>
\$11,921,344	\$530,675	\$2,459,325	\$457,513	\$646,439	\$236,090	\$494,184	\$42,788,332 29,246
							910,869 11,953,343
<u>11,921,344</u>	<u>530,675</u>	<u>2,459,325</u>	<u>457,513</u>	<u>646,439</u>	<u>236,090</u>	<u>494,184</u>	<u>55,681,790</u>
1,171 1,776,620	3,674		11,494		55,272	494,184	812,373 2,886,630 21,755 221,166
9,346,702							12,900,068 121,463 752,008
<u>11,124,493</u>	<u>3,674</u>		<u>11,494</u>		<u>55,272</u>	<u>494,184</u>	<u>17,715,463</u>
796,851	527,001	2,459,325	446,019	646,439	180,818		11,747,820 26,218,507
<u>\$796,851</u>	<u>\$527,001</u>	<u>\$2,459,325</u>	<u>\$446,019</u>	<u>\$646,439</u>	<u>\$180,818</u>		<u>\$37,966,327</u>

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Building Maintenance	Vehicle Replacement	Equipment Replacement	Employee Benefits	Liability Insurance
OPERATING REVENUES					
Charges for current services	\$1,000,000	\$1,806,860	\$2,406,890	\$1,268,580	\$2,364,880
Other operating revenues					229,857
Total Operating Revenues	1,000,000	1,806,860	2,406,890	1,268,580	2,594,737
OPERATING EXPENSES					
Personnel				877,845	265,366
Insurance premiums and claims					2,583,472
Maintenance and repairs	6,691	58,690			
General and administrative	119,185		1,885,542	338,305	170,322
Depreciation expense	293,708	916,227	280,847		
Total Operating Expenses	419,584	974,917	2,166,389	1,216,150	3,019,160
Operating Income (Loss)	580,416	831,943	240,501	52,430	(424,423)
NONOPERATING REVENUES (EXPENSES)					
Investment income	49,870	83,100	79,683	11,024	62,198
Interest expense			(59,271)		
Miscellaneous revenues					
Loss from disposal of capital assets			(712)		
Total Nonoperating Revenues (Expenses)	49,870	83,100	19,700	11,024	62,198
Net income (loss) before contributions and transfers	630,286	915,043	260,201	63,454	(362,225)
TRANSFERS					
Transfers in					2,385,000
Transfers out			(11,253)		(25,013)
Net transfers			(11,253)		2,359,987
Change in Net Position	630,286	915,043	248,948	63,454	1,997,762
NET POSITION, BEGINNING OF YEAR	9,742,141	11,376,379	6,117,556	845,107	973,198
NET POSITION, END OF YEAR	\$10,372,427	\$12,291,422	\$6,366,504	\$908,561	\$2,970,960

Workers' Compensation	Dental Insurance	Employee Retirement	OPEB/ Retiree Medical	Radio Replacement	Telephone Replacement	Sewer Maintenance	Total
\$2,507,634	\$465,707		\$2,537,541 901,026	\$713,526	\$672,221 2,991	\$2,616,744	\$18,360,583 1,133,874
2,507,634	465,707		3,438,567	713,526	675,212	2,616,744	19,494,457
224,593						2,550,185	3,917,989
2,726,272	333,266		3,369,834				9,012,844
					98,629		164,010
193,045	44,198	\$2,000		401,658	582,394	95,535	3,832,184
							1,490,782
3,143,910	377,464	2,000	3,369,834	401,658	681,023	2,645,720	18,417,809
(636,276)	88,243	(2,000)	68,733	311,868	(5,811)	(28,976)	1,076,648
150,298	5,736	29,166	22,050	5,673	2,766		501,564
							(59,271)
						28,976	28,976
							(712)
150,298	5,736	29,166	22,050	5,673	2,766	28,976	470,557
(485,978)	93,979	27,166	90,783	317,541	(3,045)		1,547,205
		1,100,000 (683,750)					3,485,000 (720,016)
		416,250					2,764,984
(485,978)	93,979	443,416	90,783	317,541	(3,045)		4,312,189
1,282,829	433,022	2,015,909	355,236	328,898	183,863		33,654,138
\$796,851	\$527,001	\$2,459,325	\$446,019	\$646,439	\$180,818		\$37,966,327

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Building Maintenance	Vehicle Replacement	Equipment Replacement	Employee Benefits	Liability Insurance
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/other funds	\$1,018,165	\$1,806,860	\$2,406,890	\$1,268,580	\$2,364,880
Cash payments to suppliers for goods and services	(174,913)	(78,428)	(1,795,720)	(312,093)	(2,782,857)
Cash payments to employees for salaries and benefits				(877,845)	(265,366)
Other operating revenues					229,857
Cash Flows from Operating Activities	843,252	1,728,432	611,170	78,642	(453,486)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Miscellaneous revenues					
Interfund revenues					2,385,000
Interfund payments			(11,253)		(25,013)
Cash Flows from Noncapital Financing Activities			(11,253)		2,359,987
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payment on note payable	(21,754)				
Payment on subscription liability			(212,258)		
Payment on subscription interest			(59,271)		
Acquisition and construction of capital assets	(24,362)	(1,439,527)			
Proceeds from sale of property					
Cash Flows from Investing Activities	(46,116)	(1,439,527)	(271,529)		
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	49,870	83,100	79,683	11,024	62,198
Cash Flows from Investing Activities	49,870	83,100	79,683	11,024	62,198
Net increase (decrease) in cash and cash equivalents	847,006	372,005	408,071	89,666	1,968,699
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,394,947	6,359,927	6,082,097	850,642	5,669,702
CASH AND CASH EQUIVALENTS, END OF YEAR	\$4,241,953	\$6,731,932	\$6,490,168	\$940,308	\$7,638,401
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$580,416	\$831,943	\$240,501	\$52,430	(\$424,423)
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	293,708	916,227	280,847		
Net change in assets and liabilities:					
Grants receivable	18,165				
Prepays			(24,786)		
Accounts payable	(49,037)	(19,738)	114,608	26,212	4,065
Claims payable					(33,128)
Net Cash Provided by (Used in) Operating Activities	\$843,252	\$1,728,432	\$611,170	\$78,642	(\$453,486)
NON-CASH TRANSACTIONS:					
Retirement of capital assets			(\$712)		

Workers' Compensation	Dental Insurance	Employee Retirement	OPEB/ Employee Retirement	Radio Replacement	Telephone Replacement	Sewer Maintenance	Total
\$2,507,634	\$465,707		\$2,537,541	\$713,526	\$672,221	\$2,616,744	\$18,378,748
(2,703,258)	(381,200)	(\$2,000)	(3,391,746)	(401,658)	(656,752)	(2,391,274)	(15,071,899)
(224,593)							(1,367,804)
			901,026		2,991		1,133,874
(420,217)	84,507	(2,000)	46,821	311,868	18,460	225,470	3,072,919
						28,976	28,976
		1,100,000					3,485,000
		(683,750)					(720,016)
		416,250				28,976	2,793,960
							(21,754)
							(212,258)
							(59,271)
							(1,463,889)
							(1,757,172)
150,298	5,736	29,166	22,050	5,673	2,766		501,564
150,298	5,736	29,166	22,050	5,673	2,766		501,564
(269,919)	90,243	443,416	68,871	317,541	21,226	254,446	4,611,271
12,191,263	440,432	2,015,909	388,642	328,898	214,864	239,738	38,177,061
\$11,921,344	\$530,675	\$2,459,325	\$457,513	\$646,439	\$236,090	\$494,184	\$42,788,332
(\$636,276)	\$88,243	(\$2,000)	\$68,733	\$311,868	(\$5,811)	(\$28,976)	\$1,076,648
							1,490,782
							18,165
(2,045)	(3,736)		(21,912)		24,271	254,446	(24,786)
218,104							327,134
							184,976
(\$420,217)	\$84,507	(\$2,000)	\$46,821	\$311,868	\$18,460	\$225,470	\$3,072,919
							(\$712)





San Francisco Bay Trail, San Rafael

STATISTICAL SECTION



STATISTICAL SECTION

This part of the City's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Property Tax Rates, Direct & Overlapping Governments
4. Principal Property Taxpayers
5. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Revenue Bond Coverage Parking Facility

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

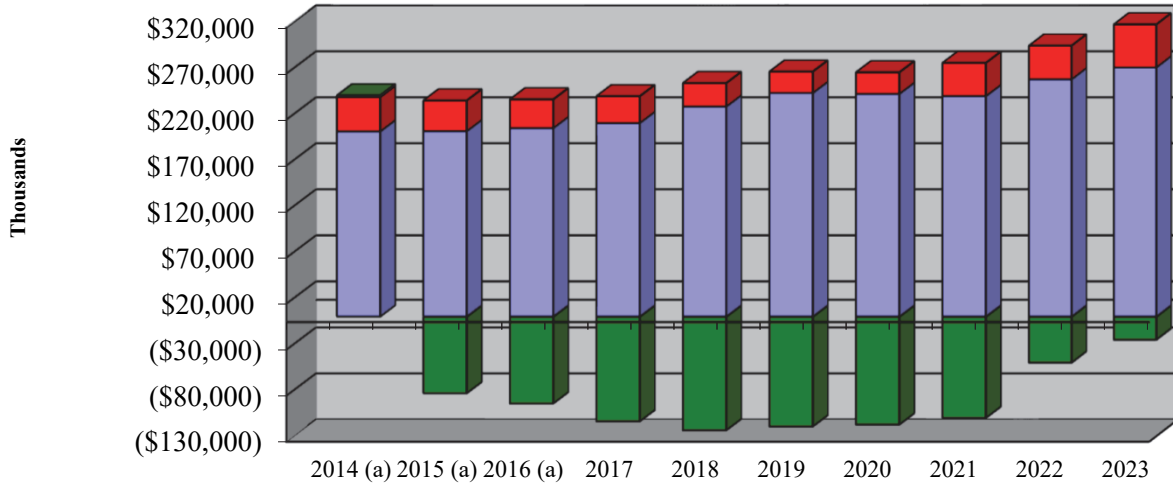
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

**CITY OF SAN RAFAEL
NET POSITION BY COMPONENT
Last Ten Fiscal Years**



■ Net investment in capital assets ■ Restricted ■ Unrestricted

	2014 (a)	2015 (a)	2016 (a)	2017
<i>Governmental activities</i>				
Net investment in capital assets	\$190,286,275	\$190,621,085	\$193,707,175	\$199,202,842
Restricted	37,339,141	33,389,224	31,286,725	29,225,643
Unrestricted	(196,824)	(82,336,534)	(93,273,480)	(112,913,181)
Total governmental activities net position	<u>\$227,428,592</u>	<u>\$141,673,775</u>	<u>\$131,720,420</u>	<u>\$115,515,304</u>
<i>Business-type activities</i>				
Net investment in capital assets	\$10,786,591	\$10,744,952	\$10,958,058	\$10,968,642
Unrestricted	2,049,957	(938,519)	(1,136,050)	(871,620)
Total business-type activities net position	<u>\$12,836,548</u>	<u>\$9,806,433</u>	<u>\$9,822,008</u>	<u>\$10,097,022</u>
<i>Primary government</i>				
Net investment in capital assets	\$201,072,866	\$201,366,037	\$204,665,233	\$210,171,484
Restricted	37,339,141	33,389,224	31,286,725	29,225,643
Unrestricted	1,853,133	(83,275,053)	(94,409,530)	(113,784,801)
Total primary government net position	<u>\$240,265,140</u>	<u>\$151,480,208</u>	<u>\$141,542,428</u>	<u>\$125,612,326</u>

(a) The City adjusted certain beginning balances during fiscal years 2013-2014, 2014-2015 and 2016-2017. Financial data shown for proceeding years were not adjusted for the presentation.

2018	2019	2020	2021	2022	2023
\$217,170,376	\$231,844,210	\$230,737,025	\$228,252,998	\$246,437,706	\$259,204,102
25,549,583	23,288,874	23,522,748	36,175,158	36,668,766	46,773,333
(122,577,233)	(118,215,177)	(116,133,437)	(107,929,957)	(48,883,395)	(24,466,269)
<u>\$120,142,726</u>	<u>\$136,917,907</u>	<u>\$138,126,336</u>	<u>\$156,498,199</u>	<u>\$234,223,077</u>	<u>\$281,511,166</u>
\$10,951,518	\$11,023,426	\$11,104,751	\$11,174,601	\$11,256,222	\$11,454,000
(886,848)	(1,180,121)	(1,204,307)	(2,205,300)	(1,189,003)	(653,194)
<u>\$10,064,670</u>	<u>\$9,843,305</u>	<u>\$9,900,444</u>	<u>\$8,969,301</u>	<u>\$10,067,219</u>	<u>\$10,800,806</u>
\$228,121,894	\$242,867,636	\$241,841,776	\$239,427,599	\$257,693,928	\$270,658,102
25,549,583	23,288,874	23,522,748	36,175,158	36,668,766	46,773,333
(123,464,081)	(119,395,298)	(117,337,744)	(110,135,257)	(50,072,398)	(25,119,463)
<u>\$130,207,396</u>	<u>\$146,761,212</u>	<u>\$148,026,780</u>	<u>\$165,467,500</u>	<u>\$244,290,296</u>	<u>\$292,311,972</u>

CITY OF SAN RAFAEL
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2014	2015	2016	2017
Expenses				
Governmental Activities:				
General government	\$9,085,672	\$9,099,858	\$12,952,983	\$10,996,269
Public safety	43,800,158	39,968,631	55,399,798	44,366,734
Public works and parks	22,125,336	16,893,164	22,929,289	19,845,719
Community development	3,451,244	3,128,373	4,307,269	4,242,743
Culture and recreation	11,846,818	11,198,151	15,026,680	14,131,000
Interest on long-term debt and fiscal charges	327,350	284,288	277,263	271,263
Total Governmental Activities Expenses	<u>90,636,578</u>	<u>80,572,465</u>	<u>110,893,282</u>	<u>93,853,728</u>
Business-Type Activities:				
Parking services	<u>4,125,476</u>	<u>4,249,597</u>	<u>4,762,851</u>	<u>4,188,152</u>
Total Business-Type Activities Expenses	<u>4,125,476</u>	<u>4,249,597</u>	<u>4,762,851</u>	<u>4,188,152</u>
Total Primary Government Expenses	<u>\$94,762,054</u>	<u>\$84,822,062</u>	<u>\$115,656,133</u>	<u>\$98,041,880</u>
Component Unit:				
San Rafael Sanitation District	<u>\$11,378,055</u>	<u>\$11,375,239</u>	<u>\$11,654,767</u>	<u>\$11,255,194</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	\$2,838,940	\$1,379,523	\$526,495	\$421,393
Public safety	6,014,034	4,966,251	4,939,658	4,264,939
Public works and parks	6,101,460	3,078,267	5,157,289	1,804,698
Community development	3,279,251	3,796,684	4,004,178	3,850,107
Culture and recreation	6,417,003	6,537,646	6,683,059	6,941,013
Operating grants and contributions	4,698,142	4,185,450	4,678,338	3,965,351
Capital grants and contributions	762,719	1,308,027	1,470,953	1,702,993
Total Government Activities Program Revenues	<u>30,111,549</u>	<u>25,251,848</u>	<u>27,459,970</u>	<u>22,950,494</u>
Business-Type Activities:				
Charges for services:				
Parking services	<u>4,485,394</u>	<u>5,173,557</u>	<u>5,212,181</u>	<u>5,268,991</u>
Total Business-Type Activities Program Revenues	<u>4,485,394</u>	<u>5,173,557</u>	<u>5,212,181</u>	<u>5,268,991</u>
Total Primary Government Program Revenues	<u>\$34,596,943</u>	<u>\$30,425,405</u>	<u>\$32,672,151</u>	<u>\$28,219,485</u>
Component Unit:				
San Rafael Sanitation District				
Charges for service	\$13,732,496	\$14,629,758	\$15,414,530	\$16,014,016
Operating grants and contributions				36,945
Capital grants and contributions				79,245
Total Component Unit Program Revenues	<u>\$13,732,496</u>	<u>\$14,629,758</u>	<u>\$15,414,530</u>	<u>\$16,130,206</u>
Net (Expense)/Revenue				
Governmental Activities	(\$60,525,029)	(\$55,320,617)	(\$83,433,312)	(\$70,903,234)
Business-Type Activities	<u>359,918</u>	<u>923,960</u>	<u>449,330</u>	<u>1,080,839</u>
Total Primary Government Net Expense	<u>(\$60,165,111)</u>	<u>(\$54,396,657)</u>	<u>(\$82,983,982)</u>	<u>(\$69,822,395)</u>
Component Unit Activities	<u>\$2,354,441</u>	<u>\$3,254,519</u>	<u>\$3,862,215</u>	<u>\$4,875,012</u>

2018	2019	2020	2021	2022	2023
\$9,835,941	\$11,967,641	\$15,629,601	\$12,254,642	\$10,458,884	\$11,162,650
53,231,197	49,899,296	50,000,809	54,736,561	34,379,474	49,903,663
22,084,433	19,270,613	21,661,442	20,749,666	14,030,717	23,353,510
4,040,195	5,781,826	5,314,692	5,804,134	2,835,173	4,436,659
13,285,563	12,819,429	11,828,353	10,619,181	7,430,968	10,723,168
884,336	1,848,263	1,974,834	1,935,532	2,004,572	1,793,203
103,361,665	101,587,068	106,409,731	106,099,716	71,139,788	101,372,853
4,627,716	5,038,553	4,491,375	3,748,667	2,226,556	3,435,551
4,627,716	5,038,553	4,491,375	3,748,667	2,226,556	3,435,551
\$107,989,381	\$106,625,621	\$110,901,106	\$109,848,383	\$73,366,344	\$104,808,404
\$12,235,868	\$12,601,257	\$13,853,263	\$13,790,905	\$12,892,687	\$13,541,927
\$517,542	\$377,606	\$394,882	\$388,833	\$1,039,816	\$383,890
5,628,478	5,304,832	5,824,555	5,332,486	6,302,852	7,063,009
2,362,375	4,158,338	3,082,495	2,719,148	2,996,881	3,146,404
3,814,892	4,312,259	5,470,010	8,390,282	4,493,292	4,982,748
6,819,303	5,750,846	4,370,442	2,932,869	4,105,520	5,158,806
5,142,670	4,584,855	5,545,731	5,132,596	22,520,880	6,763,815
974,603	8,042,524	1,348,640	8,718,764	9,867,883	18,438,231
25,259,863	32,531,260	26,036,755	33,614,978	51,327,124	45,936,903
5,203,585	5,362,016	5,063,318	3,351,864	3,836,881	4,682,140
5,203,585	5,362,016	5,063,318	3,351,864	3,836,881	4,682,140
\$30,463,448	\$37,893,276	\$31,100,073	\$36,966,842	\$55,164,005	\$50,619,043
\$16,829,908	\$16,964,083	\$16,874,361	\$16,945,721	\$16,458,113	\$16,638,611
58,440	5,907	5,719	5,609	5,568	5,531
105,734	1,433,871	175,217	277,752	517,752	175,481
\$16,994,082	\$18,403,861	\$17,055,297	\$17,229,082	\$16,981,433	\$16,819,623
(\$78,101,802)	(\$69,055,808)	(\$80,372,976)	(\$72,484,738)	(\$19,812,664)	(\$55,435,950)
575,869	323,463	571,943	(396,803)	1,610,325	1,246,589
(\$77,525,933)	(\$68,732,345)	(\$79,801,033)	(\$72,881,541)	(\$18,202,339)	(\$54,189,361)
\$4,758,214	\$5,802,604	\$3,202,034	\$3,438,177	\$4,088,746	\$3,277,696

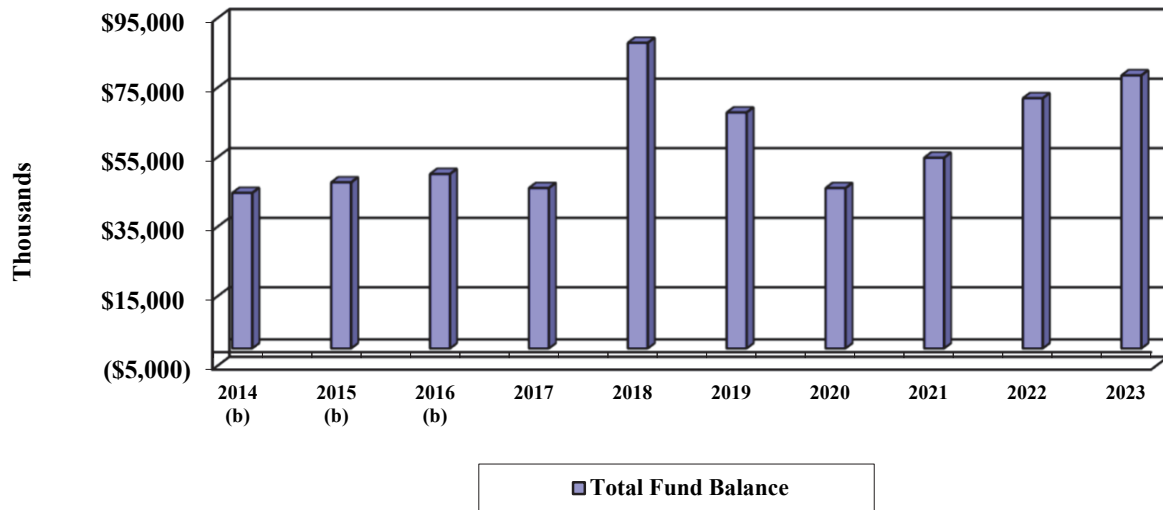
(Continued)

CITY OF SAN RAFAEL
CHANGES IN NET POSITION
(continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2014	2015	2016	2017
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property	\$18,439,619	\$19,039,443	\$19,998,567	\$23,343,140
Sales	27,758,971	32,269,915	34,348,089	31,819,259
Paramedic	3,816,070	3,820,240	4,226,020	5,485,637
Transient occupancy	2,332,277	2,661,878	3,063,263	2,984,758
Franchise	3,260,958	3,272,390	3,418,277	3,610,824
Business license	2,588,728	2,670,071	2,824,664	2,774,803
Other	3,452,171	3,295,751	3,465,193	1,824,830
Investment earnings	184,171	216,066	300,091	210,628
Gain (loss) from sale of capital assets				
Miscellaneous	1,140,743	2,254,901	1,387,315	2,448,604
Transfers	449,917	432,630	448,478	536,000
Total Government Activities	63,423,625	69,933,285	73,479,957	75,038,483
Business-Type Activities:				
Investment earnings	4,375	7,008	14,723	10,810
Gain (loss) from sale of capital assets				
Transfers	(449,917)	(432,630)	(448,478)	(536,000)
Total Business-Type Activities	(445,542)	(425,622)	(433,755)	(525,190)
Total Primary Government	\$62,978,083	\$69,507,663	\$73,046,202	\$74,513,293
Component Unit:				
San Rafael Sanitation District				
Property Taxes	\$1,345,018	\$1,319,852	\$1,367,172	\$1,528,047
Investment earnings	151,729	171,804	46,225	97,090
Miscellaneous				
Aid from other governmental agencies	22,125	35,090		
Total Component Unit	\$1,518,872	\$1,526,746	\$1,413,397	\$1,625,137
Special Item				
Governmental Activities		\$4,462,815		
Component Unit Activities		(\$4,462,815)		
Change in Net Position				
Governmental Activities	\$2,898,596	\$19,075,483	(\$9,953,355)	\$4,135,249
Business-Type Activities	(85,624)	498,338	15,575	555,649
Total Primary Government	\$2,812,972	\$19,573,821	(\$9,937,780)	\$4,690,898
Change in Net Position				
Component Unit Activities	\$3,873,313	\$318,450	\$5,275,612	\$6,500,149

2018	2019	2020	2021	2022	2023
\$24,627,373	\$25,903,240	\$26,491,505	\$30,993,516	\$32,324,129	\$33,023,030
34,119,502	35,626,646	33,784,770	39,599,113	44,110,471	45,632,867
4,923,148	4,934,584	4,923,092	5,153,448	5,109,836	5,224,387
3,115,151	3,203,499	2,410,745	1,797,578	2,976,234	3,396,479
3,726,841	3,627,254	4,029,050	3,973,806	4,209,979	4,424,917
2,790,212	2,788,496	2,824,722	2,575,341	2,645,636	2,583,546
2,245,882	1,783,170	2,152,617	2,996,950	3,108,543	2,975,282
556,745	1,450,434	1,907,591	388,645	(1,424,183)	1,708,860
			26,784	989,991	
5,991,713	5,904,968	2,470,926	2,813,015	2,965,697	3,233,349
632,657	608,698	586,387	538,405	521,209	521,322
82,729,224	85,830,989	81,581,405	90,856,601	97,537,542	102,724,039
24,436	63,870	71,583	4,065	8,802	8,320
(632,657)	(608,698)	(586,387)	(538,405)	(521,209)	(521,322)
(608,221)	(544,828)	(514,804)	(534,340)	(512,407)	(513,002)
\$82,121,003	\$85,286,161	\$81,066,601	\$90,322,261	\$97,025,135	\$102,211,037
\$1,620,584	\$1,727,221	\$1,833,137	\$1,888,197	\$2,086,682	\$2,129,197
234,379	519,793	876,369	48,614	(406,535)	1,328,202
10,690	7,768	489			11,759
\$1,865,653	\$2,254,782	\$2,709,995	\$1,936,811	\$1,680,147	\$3,469,158
\$4,627,422	\$16,775,181	\$1,208,429	\$18,371,863	\$77,724,878	\$47,288,089
(32,352)	(221,365)	57,139	(931,143)	1,097,918	733,587
\$4,595,070	\$16,553,816	\$1,265,568	\$17,440,720	\$78,822,796	\$48,021,676
\$6,623,867	\$8,057,386	\$5,912,029	\$5,374,988	\$5,768,893	\$6,746,854

CITY SAN RAFAEL
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	2014 (b)	2015 (b)	2016 (b)	2017
General Fund				
Nonspendable	\$503,338	\$399,299	\$476,316	\$508,446
Restricted				
Committed				
Assigned	6,866,149	12,374,002	16,440,910	14,900,945
Unassigned		1,588,500	1,772,577	1,295,041
Total General Fund	<u>\$7,369,487</u>	<u>\$14,361,801</u>	<u>\$18,689,803</u>	<u>\$16,704,432</u>
All Other Governmental Funds				
Nonspendable	\$8,719	\$2,359	\$9,449	
Restricted	30,185,064	31,742,184	27,552,245	\$25,812,405
Committed	2,185,825	931,871	3,799,421	3,491,708
Assigned	4,959,533	712,810	119,183	115,103
Unassigned				
Total all other governmental funds	<u>\$37,339,141</u>	<u>\$33,389,224</u>	<u>\$31,480,298</u>	<u>\$29,419,216</u>

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

(b) The City adjusted certain beginning balances during fiscal years 2013-2014, 2014-2015 and 2015-2016. Financial data shown for preceding years were not adjusted for the presentation.

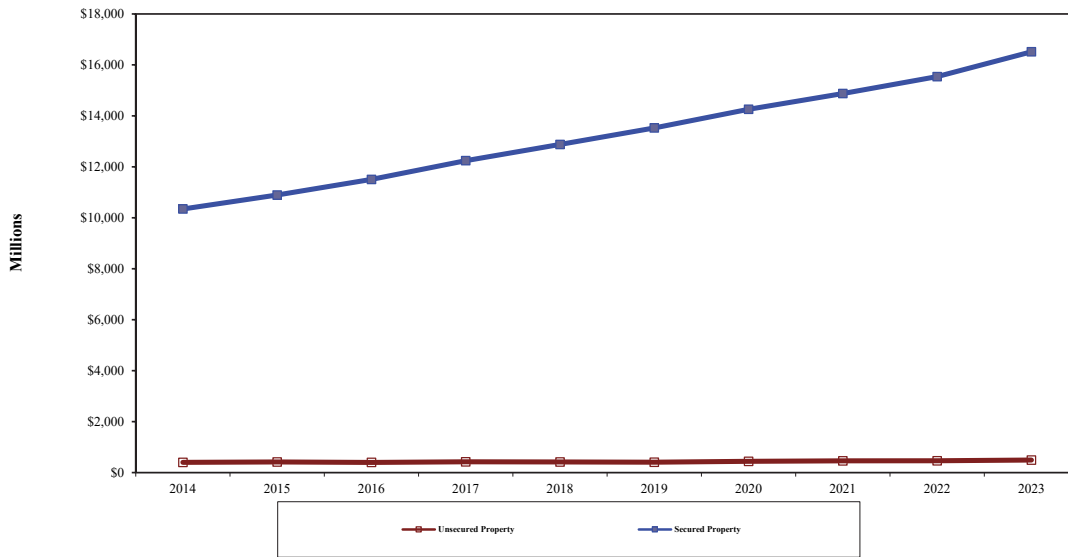
2018	2019	2020	2021	2022	2023	(a)
\$1,008,234	\$37,271	\$7,540	\$377,861	\$95,279	\$78,057	
			8,321,000	9,415,000	9,753,000	
11,214,720	11,391,084	9,799,140	7,226,153	24,270,840	17,272,274	
	1,104,216		920,885		664,667	
<u>\$12,222,954</u>	<u>\$12,532,571</u>	<u>\$9,806,680</u>	<u>\$16,845,899</u>	<u>\$33,781,119</u>	<u>\$27,767,998</u>	
\$302,366	\$27,627	\$7,813		\$89,761	\$182,890	
73,489,688	53,260,504	34,288,302	\$36,043,515	36,443,519	46,449,334	
1,754,983	1,901,271	1,884,153	1,831,036	1,514,355	4,008,844	
115,942	118,139	120,920	116,842	117,755	119,248	
		(11,118)				
<u>\$75,662,979</u>	<u>\$55,307,541</u>	<u>\$36,290,070</u>	<u>\$37,991,393</u>	<u>\$38,165,390</u>	<u>\$50,760,316</u>	

CITY OF SAN RAFAEL
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2013	2014	2015	2016
Revenues				
Taxes and special assessments	\$51,549,306	\$56,686,142	\$61,804,228	\$65,866,218
Licenses and permits	1,929,387	1,934,755	2,456,820	2,588,411
Fines and forfeitures	734,005	669,553	556,076	435,829
Use of money and properties	325,043	363,089	444,757	460,206
Intergovernmental	11,869,889	11,953,308	13,233,503	13,685,003
Charges for services	23,575,374	19,949,333	15,346,794	14,366,744
Other revenue	4,092,411	2,045,407	1,777,003	3,208,749
Total Revenues	94,075,415	93,601,587	95,619,181	100,611,160
Expenditures				
Current:				
General government	10,529,480	8,678,833	10,203,687	11,349,079
Public safety	41,377,062	41,900,762	43,954,515	47,071,166
Public works and parks	12,002,448	13,697,957	12,758,643	14,390,699
Community development	2,961,275	3,296,375	3,416,859	3,670,108
Culture and recreation	10,591,057	11,106,367	11,616,777	12,048,104
Capital outlay	4,009,454	2,154,900	4,498,924	4,813,757
Capital improvement/special projects	5,284,720	7,168,776	2,186,986	4,826,576
Debt service:				
Principal		208,642	75,172	75,172
Interest and fiscal charges	283,805	327,350	284,288	277,263
Total Expenditures	87,039,301	88,539,962	88,995,851	98,521,924
Excess (deficiency) of revenues over (under) expenditures	7,036,114	5,061,625	6,623,330	2,089,236
Other Financing Sources (Uses)				
Issuance of debt				
Proceeds from PG&E loans		568,481		
Proceeds from sale of capital assets				
Transfers in	8,425,474	3,655,302	4,348,149	7,533,364
Transfers (out)	(6,711,657)	(3,053,865)	(3,051,499)	(6,582,555)
Total other financing sources (uses)	1,713,817	1,169,918	1,296,650	950,809
Extraordinary Item				
Transfer to Successor Agency	(2,352,584)			
Net Change in fund balances	\$6,397,347	\$6,231,543	\$7,919,980	\$3,040,045
Debt service as a percentage of noncapital expenditures	0.4%	0.7%	0.4%	0.4%

2017	2018	2019	2020	2021	2022	2023
\$71,166,891	\$74,893,789	\$77,101,185	\$76,410,697	\$86,347,728	\$93,604,982	\$96,373,395
2,559,841	2,718,166	2,661,500	3,047,144	3,000,666	3,077,355	3,002,122
400,283	384,268	337,680	350,388	219,030	296,300	228,966
349,349	654,531	1,583,060	1,537,869	667,104	(1,597,714)	1,223,028
8,063,156	8,878,974	15,602,264	9,287,181	16,859,749	34,239,157	28,590,886
13,425,161	14,660,094	15,166,876	13,834,843	15,065,363	13,315,014	15,830,095
1,842,053	5,219,414	5,158,042	2,309,226	1,875,299	4,199,820	2,322,859
97,806,734	107,409,236	117,610,607	106,777,348	124,034,939	147,134,914	147,571,351
10,557,416	10,010,100	12,553,499	16,689,526	12,426,899	17,716,666	13,858,624
49,018,153	51,805,708	51,678,876	50,071,531	54,363,872	58,397,721	58,673,878
16,752,961	17,647,312	15,617,622	17,453,823	15,110,972	16,495,547	19,535,588
3,759,564	4,051,224	4,988,260	5,276,887	6,270,129	5,736,213	5,190,246
12,646,728	12,823,771	12,468,008	11,179,410	9,700,739	11,319,546	12,664,282
2,100,926	22,815,967	38,701,047	25,984,748	13,635,066	17,345,454	23,536,840
7,403,249						
175,172	280,172	495,172	618,316	2,563,711	2,829,057	3,044,551
271,263	1,005,636	2,356,207	2,482,778	2,443,476	2,512,515	2,241,875
102,685,432	120,439,890	138,858,691	129,757,019	116,514,864	132,352,719	138,745,884
(4,878,698)	(13,030,654)	(21,248,084)	(22,979,671)	7,520,075	14,782,195	8,825,467
	46,565,800		23,999			
					1,000,000	
9,287,007	68,351,964	15,482,297	13,797,526	7,549,590	6,441,764	14,576,818
(8,454,762)	(68,373,222)	(14,280,034)	(12,585,216)	(6,329,123)	(5,114,742)	(16,820,480)
832,245	46,544,542	1,202,263	1,236,309	1,220,467	2,327,022	(2,243,662)
(\$4,046,453)	\$33,513,888	(\$20,045,821)	(\$21,743,362)	\$8,740,542	\$17,109,217	\$6,581,805
0.5%	1.3%	2.8%	3.0%	4.9%	4.6%	4.6%

**CITY OF SAN RAFAEL
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2014	\$ 7,558,708,224	\$ 2,009,718,415	\$ 245,674,195	\$ 130,594,237	\$ 9,944,695,071	\$ 402,261,887	\$ 10,346,956,958	\$ 10,346,956,958	0.11985%
2015	7,991,224,952	2,120,065,908	249,864,918	115,675,852	10,476,831,630	417,217,272	10,894,048,902	10,894,048,902	0.11657%
2016	8,511,358,216	2,221,843,976	263,830,302	108,982,883	11,106,015,377	400,942,059	11,506,957,436	11,506,957,436	0.11672%
2017	9,025,896,811	2,390,814,514	267,468,956	135,689,202	11,819,869,483	423,545,667	12,243,415,150	12,243,415,150	0.11693%
2018	9,522,645,933	2,532,439,852	276,751,912	128,305,868	12,460,143,565	417,902,554	12,878,046,119	12,878,046,119	0.11709%
2019	10,042,494,232	2,681,917,170	285,601,803	107,472,477	13,117,485,682	409,129,431	13,526,615,113	13,526,615,113	0.11742%
2020	10,545,909,554	2,850,424,603	293,144,677	127,151,762	13,816,630,596	442,888,708	14,259,519,304	14,259,519,304	0.11724%
2021	11,011,781,157	2,956,073,592	305,080,963	143,953,920	14,416,889,632	460,690,899	14,877,580,531	14,877,580,531	0.11734%
2022	11,516,548,822	3,109,589,216	311,491,969	138,527,146	15,076,157,153	463,320,122	15,539,477,275	15,539,477,275	0.11734%
2023	12,306,902,659	3,227,380,341	332,424,829	156,067,190	16,022,775,019	492,746,700	16,515,521,719	16,515,521,719	0.11746%

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

Data Source: Marin County Assessor 2012/13 - 2021/22 Combined Tax Rolls

**CITY OF SAN RAFAEL
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City	County (1)	School Districts	Misc. Special Districts	Total	Total Direct Rate
2014	0.154	0.295	0.7890	0.0461	1.2838	0.11985%
2015	0.154	0.295	0.7651	0.0461	1.2599	0.11657%
2016	0.154	0.295	0.7846	0.0695	1.3028	0.11672%
2017	0.154	0.295	0.8251	0.0553	1.3291	0.11693%
2018	0.154	0.295	0.8127	0.0661	1.3275	0.11709%
2019	0.154	0.295	0.8495	0.0650	1.3635	0.11742%
2020	0.154	0.295	0.8289	0.0635	1.3414	0.11724%
2021	0.154	0.295	0.8221	0.0678	1.3389	0.11734%
2022	0.154	0.295	0.7995	0.0678	1.3160	0.11734%
2023	0.154	0.295	0.7995	0.0678	1.3160	0.11746%

Notes:

(1) Like other cities, San Rafael includes several property tax rate areas with different rates. A mean average is indicated.

Data Source: Marin County Assessors Office 2013/14 - 2022/23 Tax Rate Tables

**CITY OF SAN RAFAEL
PROPERTY TAX RATES
DIRECT & OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (RATE PER \$100 OF ASSESSED VALUE)**

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Basic Levy (1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Dixie School Bonds 2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.02920
Marin Community College Bonds	0.02040	0.01800	0.01650	0.01420	0.03380	0.03390	0.02690	0.02650	0.02750	0.02580
Marin Healthcare Bond	0.00000	0.00000	0.02350	0.00930	0.02010	0.01900	0.01750	0.02180	0.02180	0.02070
Miller Creek School Bonds	0.01500	0.01470	0.04170	0.03830	0.02090	0.03450	0.03280	0.03030	0.01950	0.01830
Ross Elementary School	0.06570	0.06030	0.06150	0.06030	0.06190	0.06180	0.05710	0.05800	0.05760	0.05500
Ross Valley School Bonds	0.05960	0.05700	0.05550	0.05370	0.05680	0.05390	0.05270	0.05190	0.04870	0.05260
San Rafael Elementary Bonds	0.03320	0.02620	0.02570	0.05350	0.05030	0.07290	0.07050	0.06950	0.07400	0.06860
San Rafael High Bonds	0.05130	0.04850	0.04710	0.07100	0.05680	0.06170	0.06000	0.05830	0.04630	0.05030
Tamalpais Union High School	0.03860	0.03520	0.03130	0.02880	0.02690	0.02580	0.02390	0.02260	0.02060	0.01950
Total Direct & Overlapping Tax Rates	1.28380	1.25990	1.30280	1.32910	1.32750	1.36350	1.34140	1.33890	1.31600	1.34000
 City's Share of 1% Levy Per Prop 13	 0.12306	 0.12233	 0.12233	 0.12233	 0.12233	 0.12232	 0.12232	 0.12231	 0.12231	 0.12231
Total Direct Rate	0.11985	0.11657	0.11672	0.11693	0.11709	0.11742	0.11724	0.11734	0.11734	0.11746

Notes:

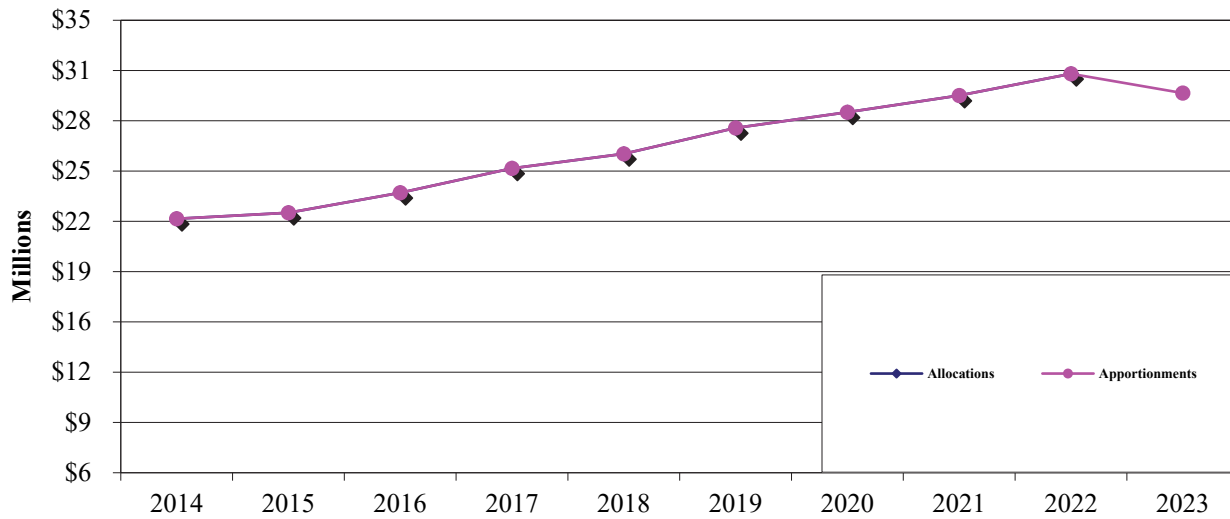
(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Data Source: Marin County Assessors Office 2013/14 - 2022/23 Tax Rate Tables

**CITY OF SAN RAFAEL
PRINCIPAL PROPERTY TAX PAYERS
CURRENT FY 2022/23 AND FY 2013/2014**

Taxpayer	FY 2022-2023		FY 2013-2014	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
California Corporate Center ACQ LLC	\$ 288,969,400	1.85%		
MGP XI Northgate LLC	227,517,623	1.44%		
Kaiser	143,855,630	0.92%		
NCP Multifamily LLC	120,334,902	0.74%		
Pur San Rafael LLC	108,059,080	0.68%		
Bre Properties, Inc	68,466,907	0.43%		
South Valley Apartments LLC	58,002,597	0.37%		
NCP Commercial LLC	56,338,212	0.35%		
North Bay 4040 TT LLC	55,312,563	0.34%	43,244,721	0.42%
Regency Center II Assoc LP	50,872,364	0.32%	43,570,118	0.42%
Bay Apartment Communities Inc			41,487,664	0.40%
Northgate Mall Associates			136,409,102	1.32%
SR Corporation Center AC			108,029,829	1.04%
33 North Associates LLC			37,701,909	0.35%
Autodesk			36,232,837	0.36%
Sutter Health			50,624,561	0.49%
Robert Dickson Trust			46,092,851	0.45%
Marin Sanitary Service			38,913,644	0.35%
Subtotal	\$ 1,177,729,278	7.13%	\$ 582,307,236	5.63%
Total Net Assessed Valuation:				
Fiscal Year 2022-2023	\$ 16,516,184,701			
Fiscal Year 2013-2014	\$ 10,346,956,958			

**CITY OF SAN RAFAEL
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS**

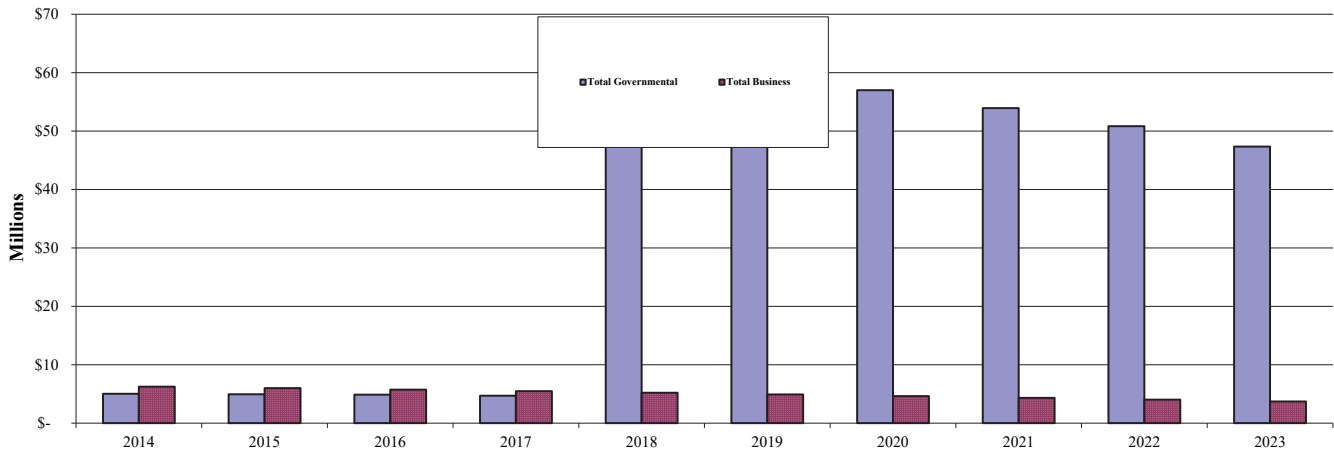


Fiscal Year	Rate	Levies	Allocations	Collections	Apportionments	Delinquencies	Delinquent taxes as a Percent of Allocations
2014	1.00	(2)	\$ 22,001,357	(2)	\$ 22,001,357	(2)	0.0%
2015	1.00	(2)	22,376,457	(2)	22,376,457	(2)	0.0%
2016	1.00	(2)	23,636,093	(2)	23,636,093	(2)	0.0%
2017	1.00	(2)	25,173,651	(2)	25,173,651	(2)	0.0%
2018	1.00	(2)	26,088,961	(2)	26,088,961	(2)	0.0%
2019	1.00	(2)	27,718,712	(2)	27,718,712	(2)	0.0%
2020	1.00	(2)	28,709,606	(2)	28,709,606	(2)	0.0%
2021	1.00	(2)	29,762,184	(2)	29,762,184	(2)	0.0%
2022	1.00	(2)	31,129,632	(2)	31,129,632	(2)	0.0%
2023	1.00	(2)	29,914,556	(2)	29,914,556	(2)	0.0%

Notes:

- (1) Includes deductions for County property tax administration.
- (2) Information not applicable. All general purpose property taxes are levied by the county and allocated to other governmental entities.

**CITY OF SAN RAFAEL
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**



Governmental Activities

Fiscal Year	Note Payable	Pension Obligation Bonds	Lease Revenue Bonds	Total
2014	\$ 528,839	\$ 4,490,000		\$ 5,018,839
2015	453,667	4,490,000		4,943,667
2016	378,495	4,490,000		4,868,495
2017	303,323	4,390,000		4,693,323
2018	1,308,951	4,185,000	\$ 53,612,097	59,106,048
2019	1,233,779	3,765,000	53,104,153	58,102,932
2020	1,084,462	3,320,000	52,596,209	57,000,671
2021	905,751	2,845,000	50,178,265	53,929,016
2022	890,555	2,340,000	47,600,321	50,830,876
2023	687,158	1,805,000	44,852,378	47,344,536

Business-Type Activities

Fiscal Year	Parking Services Bonds	Note Payable	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2014	\$ 6,186,403	\$ 61,836	\$ 6,248,239	\$ 11,267,078	0.43%	191.41
2015	5,942,128	55,020	5,997,148	10,940,815	0.41%	180.60
2016	5,692,853	48,204	5,741,057	10,609,552	0.38%	174.38
2017	5,433,577	41,388	5,474,965	10,168,288	0.35%	167.65
2018	5,164,303	34,572	5,198,875	64,304,923	2.04%	1,070.93
2019	4,890,027	27,755	4,917,782	63,020,714	2.00%	1,053.73
2020	4,605,753	20,939	4,626,692	61,627,363	1.87%	1,044.25
2021	4,316,478	14,123	4,330,601	58,259,617	1.72%	962.01
2022	4,017,203	7,307	4,024,510	54,855,386	1.45%	919.14
2023	3,707,928	489	3,708,417	54,539,293	N/A	N/A

In August 2012, the series 2003 parking services bonds were refunded with series 2012 refunding bonds.

Data Sources: City of San Rafael

State of California, Department of Finance (population)

U.S. Department of commerce, Bureau of the Census (income)

(a) See Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF SAN RAFAEL
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2023

2022-23 Assessed Valuation: 16,515,650,963

	Total Debt 6/30/2023	% Applicable (1)	City's Share of Debt 6/30/2023
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Marin Community College District	\$ 569,640,000	17.304%	\$ 98,570,506
San Rafael High School District	215,795,091	79.160%	170,823,394
Tamalpais Union High School District	74,340,000	0.066%	49,064
Miller Creek School District (Formerly Dixie School District)	27,642,000	67.204%	18,576,530
Ross School District	15,398,683	1.255%	193,253
Ross Valley School District	39,643,251	0.010%	3,964
San Rafael School District	159,776,681	84.625%	135,211,016
Marin Healthcare District	464,745,000	20.708%	96,239,395
Marin Emergency Radio Authority Parcel Tax Obligations	26,295,000	17.280%	4,543,776
City of San Rafael 1915 Act Bonds	1,075,200	100.000%	1,075,200
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 525,286,098
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Marin County Certificates of Participation	\$ 73,930,000	17.280%	\$ 12,775,104
Marin County Pension Obligation Bonds	52,050,000	17.280%	8,994,240
Marin County Transit District General Fund Obligations			-
Marin Municipal Water District General Fund Obligations			-
Marin Community College District Certification of Participation	11,268,897	17.304%	1,949,970
San Rafael School District General Fund Obligations	2,630,000	84.625%	2,225,638
City of San Rafael General Fund Obligations	43,667,157	100.000%	43,667,157 (2)
City of San Rafael Pension Obligations	1,805,000	100.000%	1,805,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			71,417,109
Less: City of San Rafael obligations supported by enterprise revenues			3,715,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 67,702,109
TOTAL GROSS DIRECT DEBT			45,472,157
TOTAL NET DIRECT DEBT			41,757,157
TOTAL OVERLAPPING DEBT			551,231,050
GROSS COMBINED TOTAL DEBT			596,703,207 (3)
NET COMBINED TOTAL DEBT			592,988,207

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Includes \$687,157 PG&E notes.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease

Ratios to 2022-23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.18%
Total Gross Direct Debt (\$45,472,157)	0.28%
Total Net Direct Debt (\$41,757,157)	0.25%
Gross Combined Total Debt	3.61%
Net Combined Total Debt	3.59%

Ratios to Redevelopment Incremental Valuation (\$3,311,940,202)

Total Overlapping Tax Increment Debt	0.06%
--------------------------------------	-------

Data Source: Avenu Insights & Analytics, California Municipal Statistics, Inc.

CITY OF SAN RAFAEL
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2023

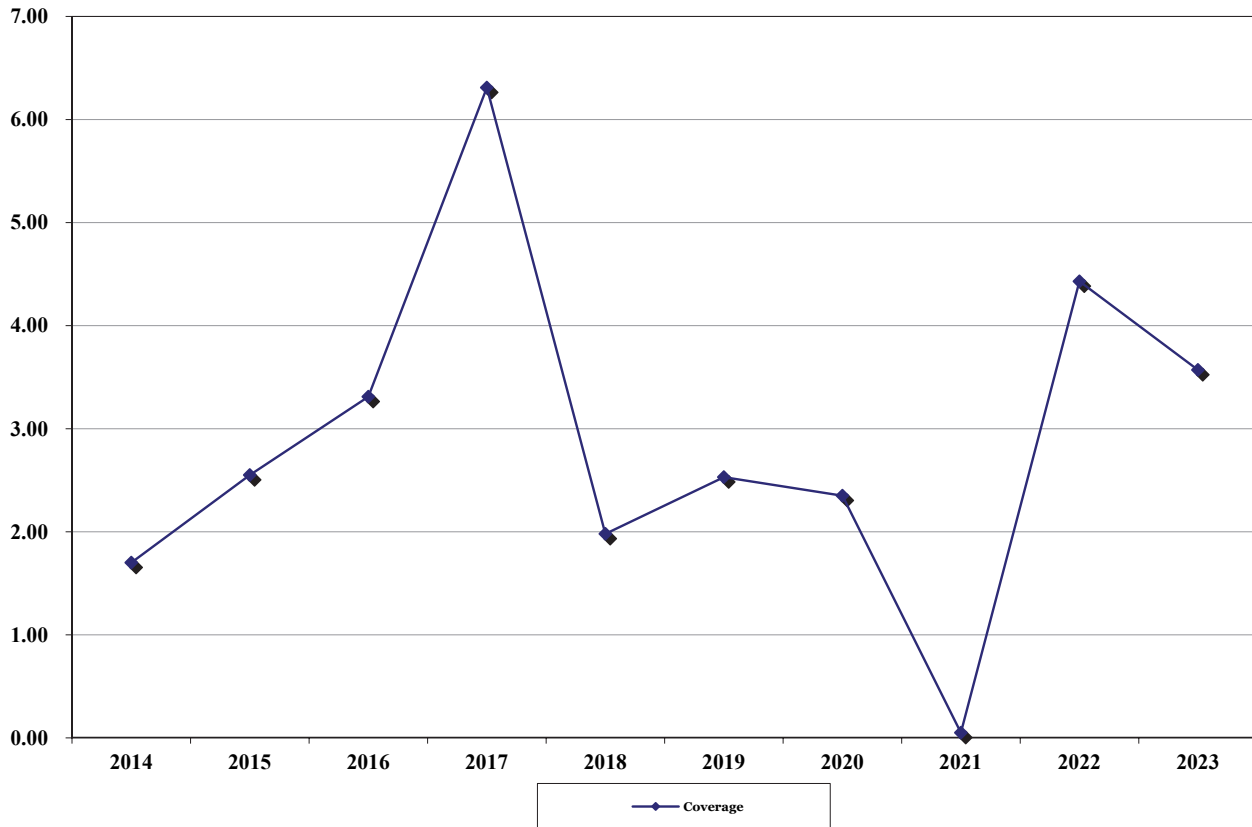
ASSESSED VALUATION:	<u>\$ 16,515,650,963</u>
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	<u>619,336,911</u>
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	<u>50,830,876</u>
LEGAL BONDED DEBT MARGIN	<u>\$ 568,506,035</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2014	\$ 388,010,886	\$ 5,018,839	\$ 382,992,047	1.31%
2015	408,526,834	4,943,667	403,583,167	1.22%
2016	431,510,904	4,868,495	426,642,409	1.14%
2017	459,128,068	4,693,323	454,434,745	1.03%
2018	482,926,729	59,106,048	423,820,681	13.95%
2019	507,248,067	58,102,932	449,145,135	12.94%
2020	534,731,974	57,000,671	477,731,303	11.93%
2021	557,909,270	53,929,016	503,980,254	10.70%
2022	582,730,398	50,830,876	531,899,522	9.56%
2023	619,332,064	47,344,536	571,987,528	8.28%

NOTE: (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth of that value.

Source: City of San Rafael's Finance Department

**CITY OF SAN RAFAEL
REVENUE BOND COVERAGE
PARKING FACILITY
LAST TEN FISCAL YEARS**



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2014	\$ 4,489,769	\$ 3,716,552	\$ 773,217	\$ 245,000	\$ 210,063	\$ 455,063	1.70
2015	5,180,554	4,031,161	1,149,393	245,000	205,163	450,163	2.55
2016	5,226,904	3,739,321	1,487,583	250,000	199,613	449,613	3.31
2017	5,279,801	2,425,281	2,854,520	260,000	192,038	452,038	6.31
2018	5,219,721	4,320,695	899,026	270,000	184,163	454,163	1.98
2019	5,425,883	4,283,754	1,142,130	275,000	176,025	451,025	2.53
2020	5,134,901	4,072,433	1,062,468	284,999	167,700	452,699	2.35
2021	3,355,929	3,332,327	23,602	290,000	161,288	451,288	0.05
2022	3,845,683	1,851,746	1,993,937	300,000	150,338	450,338	4.43
2023	4,690,455	3,071,480	1,618,974	310,000	143,588	453,588	3.57

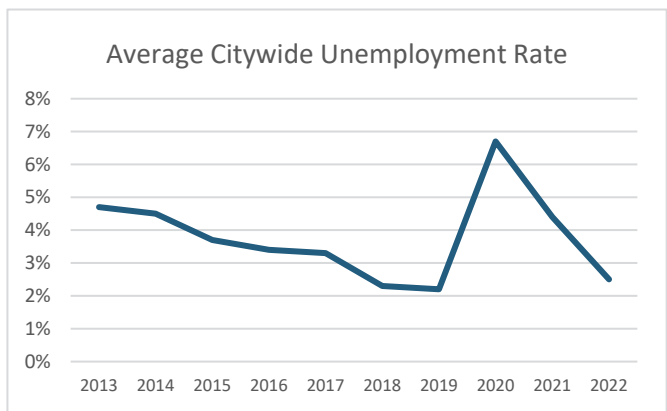
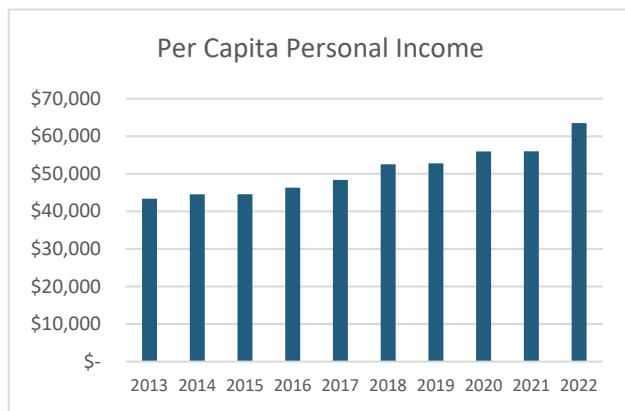
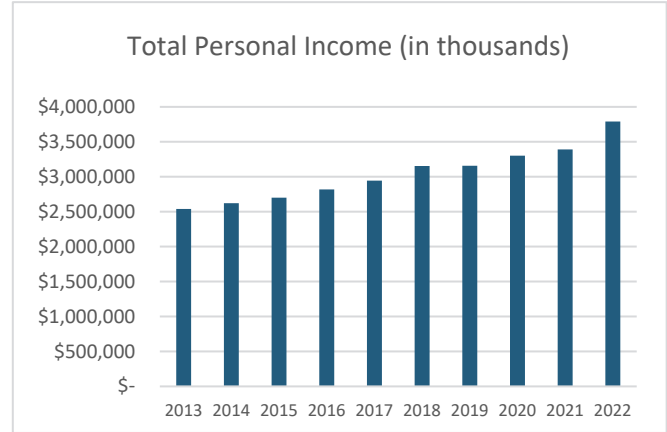
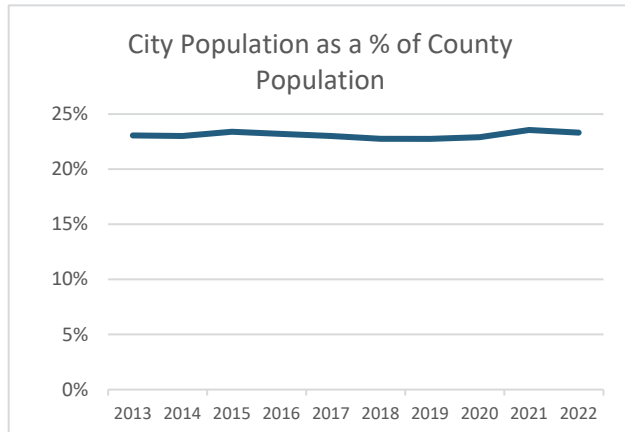
Notes: On March 26, 2003, the City Financing Authority issued lease revenue bonds for the design and construction of a new parking facility. On August 12, 2012, the City Financing Authority refunded the series 2003 lease revenue bonds with series 2012 lease revenue refunding bonds to take advantage of lower interest rates.

(1) Includes all Parking Facility Operating Revenues and Non-operating Interest Revenue

(2) Includes all Parking Facility Operating Expenses less Depreciation and Interest

Data Source: San Rafael Finance Department Revenue and Expenditure Status Reports

**CITY OF SAN RAFAEL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



Calendar Year	City Population (1)	Marin County Population	City Population % of County	Personal Income (2) (in thousands)	Per Capita Personal Income (2)	Average Unemployment Rate (3)
2013	58,566	254,007	23.06%	\$ 2,538,895	\$ 43,351	4.70%
2014	58,863	255,846	23.01%	2,621,228	44,531	4.50%
2015	60,582	258,972	23.39%	2,699,436	44,558	3.70%
2016	60,842	262,274	23.20%	2,817,497	46,308	3.40%
2017	60,651	263,604	23.01%	2,943,227	48,374	3.30%
2018	60,046	263,886	22.75%	3,152,985	52,509	2.30%
2019	59,807	262,879	22.75%	3,156,708	52,781	2.20%
2020	59,016	257,774	22.89%	3,301,286	55,938	6.70%
2021	60,560	257,135	23.55%	3,390,278	55,982	4.40%
2022	59,681	256,018	23.31%	3,789,444	63,494	2.50%

Source: (1) State of California, Department of Finance - Demographic Research Unit. The data represents the City's population as of January 1, of each year.
 (2) US Census Bureau, most recent American Community Survey
 (3) Unemployment Data: California Employment Development Department

**CITY OF SAN RAFAEL
PRINCIPAL EMPLOYERS
FISCAL YEAR 2022-2023
LAST TEN CALENDAR YEARS**

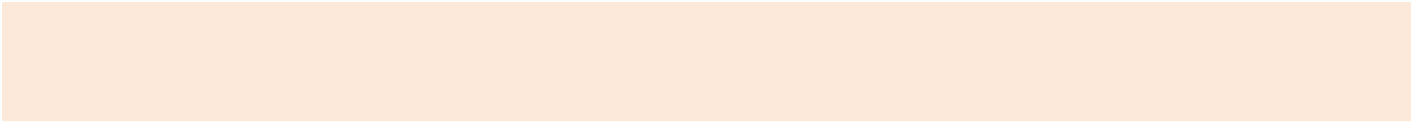
Employer	2022		2021		2020		2019	
	#	(A)	#	(A)	#	(A)	#	(A)
Kaiser Permanente	2,339	1.83%	2,339	1.82%	2,059	1.64%	2,014	6.22%
BioMarin Pharmaceutical Inc.	950	0.74%	950	0.74%	950	0.76%	950	2.93%
San Rafael Elementary/High Schools District	700	0.55%	700	0.55%	700	0.56%	700	2.16%
City of San Rafael	420	0.33%	412	0.32%	405	0.32%	410	1.27%
Dominican University of California	394	0.31%	394	0.31%	394	0.31%	421	1.30%
Buckelew Programs		0.00%		0.00%		0.00%	103	0.32%
Lifehouse		0.00%		0.00%		0.00%	100	0.31%
EO Products		0.00%		0.00%	108	0.09%	150	0.46%
Toyota Marin		0.00%		0.00%		0.00%	141	0.44%
Ghilotti Bros., Inc.	298	0.23%	298	0.23%	298	0.24%		
Community Action Marin	200	0.16%	200	0.16%	270	0.21%		
Equator Coffees, LLC	95	0.07%	95	0.07%	88	0.07%		
Totals	5,396	4.21%	5,388	4.20%	5,272	4.20%	4,989	15.40%

Number of FTE employees in Marin locations

(A) Percentage of total employment

Note: From the EDD website, it shows that the Total Average 2022 Employment in the City of San Rafael was 128,162 of which it is used as the denominator for the 2022 percentages are calculated.

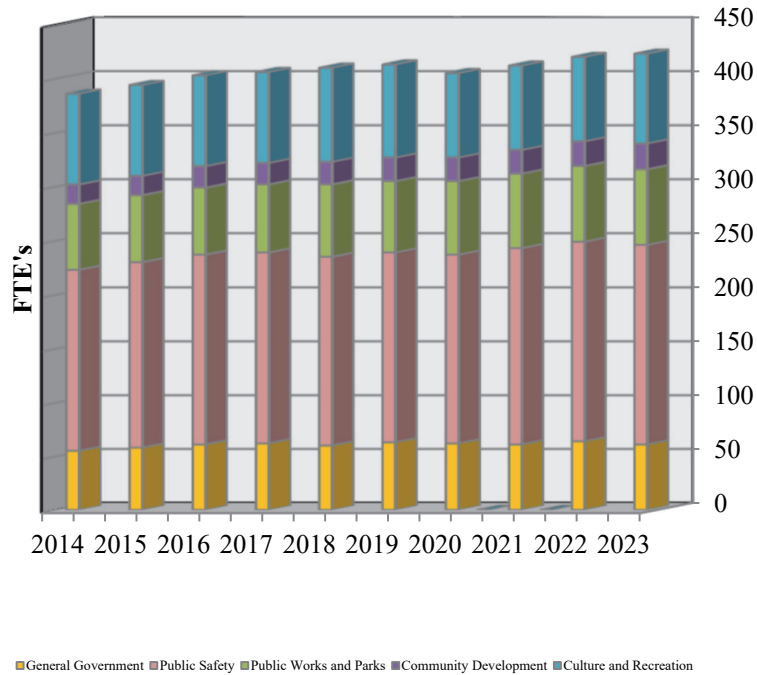
Data Sources: State of California, Employment Development Department, Labor Market Information Division & North Bay Business Journal (Annual Book of Lists)



2018		2017		2016		2015		2014		2013	
#	(A)	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)
2,092	6.62%	2,061	6.52%	662	2.02%	1,575	4.82%	1,637	5.26%	1,756	5.74%
700	2.22%	700	2.22%	650	1.98%	650	1.99%	600	1.93%	600	1.96%
410	1.30%	454	1.44%	577	1.76%	581	1.78%	666	2.14%	643	2.10%
319	1.01%	456	1.44%	485	1.48%	422	1.29%	354	1.14%	347	1.13%
106	0.34%	240	0.76%	186	0.57%						
4,508	14.27%	5,650	17.88%	5,314	16.20%	5,620	17.19%	6,025	19.37%	6,079	19.87%



**CITY OF SAN RAFAEL
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**



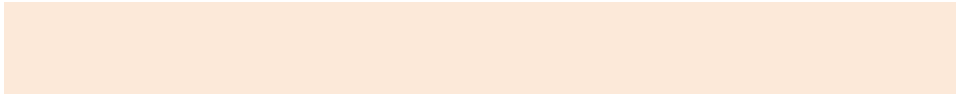
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function										
General Government	55.11	58.11	60.61	62.11	60.11	63.11	62.11	61.41	63.69	60.69
Public Safety	168.00	171.75	175.75	176.55	175.35	175.65	175.30	181.50	185.00	185.00
Public Works and Parks	61.00	62.00	62.00	63.00	66.67	66.00	68.00	69.00	70.00	70.00
Community Development	17.80	17.80	19.80	20.00	21.00	22.00	21.75	21.75	23.00	24.00
Culture and Recreation	83.66	84.23	84.25	84.35	87.35	85.82	78.07	78.07	78.07	83.07
Total	385.57	393.89	402.41	406.01	410.48	412.58	405.23	411.73	419.76	422.76

Data Source: City of San Rafael's Finance Department

CITY OF SAN RAFAEL
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function/Program				
Public safety:				
Fire:				
Inspection permit issued	261	282	198	233
Police:				
Police calls for service	51,261	55,805	57,026	53,567
Law violations:				
Part I crimes	2,289	2,533	2,523	2,392
Physical arrests (adult and juvenile)	3,227	3,450	3,453	2,526
Traffic violations	4,498	4,168	3,252	3,341
Parking violations	38,814	36,398	34,803	36,169
Public works				
Street resurfacing (miles) (Eng Div)	9.00	6.40	6.76	2.32
Potholes repaired	N/A	N/A	N/A	N/A
Asphalt used for street repairs (tons)	10,700	11,000	7,195	5,800
Culture and recreation:				
Recreation class participants	9,857	10,023	12,725	13,493
Recreation Facility Rentals				
Childcare School-Age program participants				
Library:				
Items in collection	168,620	127,763	227,890	117,354
Total items borrowed	478,960	443,639	469,790	327,297

Note: N/A denotes information not available.

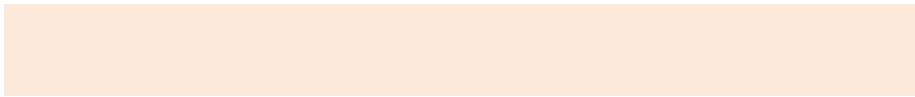


<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
186	123	167	207	195	170
51,013	47,919	47,968	43,649	42,901	42,693
2,326	1,893	2,988	2,546	2,015	2,024
2,019	1,923	2,527	1,893	1,945	1,769
2,758	2,944	2,342	2,161	1,710	1,734
36,208	40,407	28,029	24,099	30,178	35,399
2.50	4.30	14.30	5.00	11.70	21
N/A	N/A	967	1,368	1,024	1,335
4,730	7,200	5,885	3,650	5,100	3,411
12,842	N/A	N/A	N/A	N/A	
	5,146	3,875	1,550	1,962	7,001
	7,592	6,270	2,132	3,675	2,660
115,812	123,432	140,610	103,399	95,687	97,117
324,452	356,301	199,903	113,385	169,378	185,800

**CITY OF SAN RAFAEL
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function/Program				
Public safety:				
Fire stations	6	6	6	6
Police stations	1	1	1	1
Police Fleet				
Public works				
Miles of streets	173	173	173	173
Street lights	4,435	4,435	4,435	4,435
Parking District lights				
Traffic Signals	89	89	89	89
Culture and recreation:				
Community services:				
City parks	20	20	20	20
City parks acreage	42	42	42	42
Playgrounds	14	14	14	14
City trails	20	20	20	20
Community gardens	1	1	1	1
Cultural Art Centers				
Community centers	4	4	4	4
Senior centers	0	0	0	0
Sports centers	0	0	0	0
Performing arts centers	0	0	0	0
Swimming pools	1	1	1	1
Tennis courts	10	10	10	10
Basketball Courts	5	5	5	5
Baseball/softball diamonds	5	5	5	5
Soccer/football fields	2	2	2	2
Library:				
City Libraries	2	2	2	2
Wastewater:				
Miles of sanitary sewers	145	145	145	145

Data Source: City of San Rafael's Finance Department



2018	2019	2020	2021	2022	2023
6	6	6	6	6	6
1	1	1	1	1	1
173	173	173	173	173	173
4,435	4,435	4,435	4,435	4,448	4,448
89	89	90	90	90	90
20	20	24	24	24	24
42	42	99	99	99	99
14	14	14	14	14	14
20	20	20	20	20	20
1	1	2	2	2	2
		1	1	1	1
4	4	3	3	3	3
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1	1	1	1	1	1
10	10	10	10	10	10
5	5	6	6	6	6
5	5	5	5	5	5
2	2	2	2	2	2
2	2	2	2	2	2
145	145	145	145	145	145



**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2023**

This Page Left Intentionally Blank

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

For the Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
<i>Memorandum on Internal Control</i>	1
Schedule of Significant Deficiency.....	3
Schedule of Other Matters	5
Status of Prior Year Significant Deficiencies	11
Schedule of Prior Year Other Matters	13

This Page Left Intentionally Blank

MEMORANDUM ON INTERNAL CONTROL

To the City Council of
the City of San Rafael, California

In planning and performing our audit of the basic financial statements of the City of San Rafael (City) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control included on the Schedule of Significant Deficiency to be a significant deficiency.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Significant Deficiency and Schedule of Other Matters. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

REVIEW DRAFT

11:17 AM

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California

DATE

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF SIGNIFICANT DEFICIENCY

2023-01 Inaccurate Building Permit Fees – Prior Year Recommendation Not Implemented

During the current year audit, we followed up on the status of the Significant Deficiency identified on the Status of Prior Year Significant Deficiency Item 2022-01. We found that the deficiency has not been addressed as of June 30, 2023. Therefore, it is deemed to be a current year Significant Deficiency. Details of the deficiency and management's response is listed in the Status of Prior Year Significant Deficiency.

Management's Response:

See Management's Response to Current Year Status for the above deficiency as listed in the Status of Prior Year Significant Deficiency.

This Page Left Intentionally Blank

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

2023-02 Purchasing Policy Compliance and Clarification of Requirements - Prior Year Recommendation Not Implemented

During the current year audit, we followed up on the status of the Other Matter identified on the Status of Prior Year Other Matters Item 2022-02. We found that the matter has not been addressed as of June 30, 2023. Therefore, it is deemed to be a current year Other Matter. Details of the matter and management's response is listed in the Status of Prior Year Other Matters.

Management's Response:

See Management's Response to Current Year Status for the above matter as listed in the Status of Prior Year Other Matters.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We have cited them here to keep you informed of developments.

EFFECTIVE FISCAL YEARS 2022, 2023 and 2024:

GASB 99 – Omnibus 2022

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 99 – Omnibus 2022 (Continued)

- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

The Requirements of this Statement are Effective as Follows:

The requirements in paragraphs 26–32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by individual topic.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2023/24:

GASB 100 – Accounting for Changes and Error Corrections

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2024/25:

GASB 101 – Compensated Absences

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Recognition And Measurement

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Notes To Financial Statements

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 101 – Compensated Absences (Continued)

How the Changes in this Statement Will Improve Financial Reporting

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES

2022-01 Inaccurate Building Permit Fees

The rates charged in the City's permit billing system should be consistent with the City's Master Fee Schedule approved by City Council and on the City's website.

As noted in the prior year Memorandum on Internal Control comment 2021-01, we again noted that the rates charged in the City's permit billing system are not consistent with the City's Master Fee Schedule approved by City Council.

During the fiscal year 2022 audit, we tested twenty-five receipts and recalculated the fees using the City's Master Fee Schedule and noted five receipts for building permits that we recalculated, but could not arrive at the same amount charged. Based on our recalculations using the City's Master Fee Schedule, the building permit fees that should have been charged, and the related amount undercharged were as follows:

Receipt Number	Building Permit Fee Charged	Building Permit Fee That Should Have Been Charged Based on Master Fee Schedule	Undercharged
003-00001681	\$3,997.00	\$4,820.20	\$(823.20)
017-00000203	2,317.00	3,140.20	(823.20)
017-00001783	1,210.00	1,714.00	(504.00)
003-00003680	918.10	1,251.64	(333.54)
003-00004064	947.50	1,285.60	(338.10)

We understand that the Community Development Department (CDD) staff determined that the Master Fee Schedule approved by City Council and posted on the City's website included incorrect building permit fees and CDD staff believed that the correct fees had been charged.

We also noted one receipt for an investigation fee (receipt # 003-00003019) and one receipt for a building permit renewal fee (receipt # 017-00001262) that were not listed on the revised Master Fee Schedule, nor supported by an ordinance or resolution. The CDD staff indicated that the Master Fee Schedule is being updated to incorporate these fees that were charged.

Although City staff believe that the correct fees were charged for the building permits, investigation fee and building permit renewal fees, we were unable to verify that the correct fees were charged based on the Master Fee Schedule approved by City Council. Therefore, the City's building permit fees, investigation fees, fire prevention inspection fees and building permit renewal fees revenues may be understated.

We understand that the City plans to present an updated Master Fee Schedule to Council to ensure that accurate charges are approved and presented on the City's website. We recommend that the City develop a process to ensure that the fees approved by City Council are properly entered into the City's permit billing system to ensure proper fees are charged. In addition, we recommend that the City ensure that the Master Fee Schedule on the City's website agrees to the Master Fee Schedule approved by City Council.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES

2022-01 Inaccurate Building Permit Fees (Continued)

Current Status:

We understand that the City Council has approved an updated Master Fee Schedule, effective in July 2023, and that the City has developed a process to ensure that accurate fees were entered into the City's permit billing system and that charges were approved and presented on the City's website.

Management's Response:

The revised Master Fee Schedule was approved by council with the December 19, 2022, meeting, however, because the fee schedule related to fiscal 2023-24 the website was not updated until July 1, 2023, when it became effective. Subsequently, the City's various billing systems were reviewed for accuracy to ensure agreement with the approved schedule and no variances were noted.

2021-01 Inaccurate Building Permit Fees

The rates charged in the City's permit billing system should be consistent with the City's Master Fee Schedule approved by City Council and on the City's website.

We tested twenty-five receipts and recalculated the fees using the City's Master Fee Schedule and we noted one receipt for a building permit in the amount of \$78,946 that we recalculated, but could not arrive at the same amount. Based on our recalculation using the City's Master Fee Schedule, the building permit fee that should have been charged was \$83,137.

The Community Development Department (CDD) staff determined that the Master Fee Schedule approved by City Council and posted on the City's website included incorrect building permit fees and CDD staff believed that the correct fees had been charged, resulting in the fee of \$78,946.

Although City staff believe that the correct fees were charged, we were unable to verify that the correct fees were charged based on the Master Fee Schedule approved by City Council. Therefore, the City's building permit fees may be understated due to the use of a lower fee schedule.

We understand that the City plans to present an updated Master Fee Schedule to Council to ensure that accurate charges are approved and presented on the City website. We recommend that the City develop a process to ensure that the fees approved by City Council are properly entered into the City's permit billing system to ensure proper fees are charged. In addition, we recommend that the City ensure that the Master Fee Schedule on the City's website agree to the Master Fee Schedule approved by City Council.

Current Status:

See current year comment 2023-01 and Status of Prior Year Significant Deficiencies comment 2022-01.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

STATUS OF PRIOR YEAR OTHER MATTERS

2022-02 Purchasing Policy Compliance and Clarification of Requirements

The City's Purchasing Policy should indicate when the use of a purchase order, contract, or both is required, including any exceptions, as necessary. The City's Purchasing Policy defines a contract as including, but not being "limited to, a purchase order, a contract for services, a contract for maintenance, leasing of property or equipment, an addendum or change order, a letter agreement, a memorandum of understanding, or memorandum of agreement." The Purchasing Policy defines a purchase order as "a standardized form to be utilized in contracts for materials, supplies, labor and equipment." The Purchasing Policy does not specify whether a purchase order and a contract are required for all purchases, but we understand it is the City's practice to obtain both documents for purchases.

During the fiscal year 2022 audit, we selected twenty-five disbursements for testing of supporting documentation and compliance with the City's Purchasing Policy and noted two disbursements for which the disbursements were supported by a contract, however, they were not supported by a purchase order. We also noted one disbursement that was supported by a purchase order, but not a contract. For similar types of transactions tested, we noted that these types of disbursements were supported by both a purchase order and a contract.

For one of the disbursements noted above, City staff indicated that the staff overseeing the initial project and contract is no longer with the City and that a purchase order was not created for the vendor and contract for the project due to a staff oversight. And, for the second disbursement noted above, City staff indicated that they did not think it was necessary for a purchase order to be created as the vendor is used for on-call repair sidewalk repair services. Lastly, for the third disbursement noted above, City staff indicated that the purchase order was created without a contract, due to a staff oversight. Although that appears reasonable, there does not appear to be such an exemption in the City's Purchasing Policy for the use of a contract, purchase order or both. Therefore, the City is not in compliance with the Purchasing Policy for these purchases.

We recommend that the City ensure all purchases comply with purchase documentation requirements and revise the Purchasing Policy to clarify those requirements to reflect current practices.

Current Status:

During our fiscal year 2023 audit, we noted that the City has not revised the Purchasing Policy to clarify when a purchase order, contract, or both are required, as well as any broad exemptions. We also noted that the City has not developed a process to ensure that all purchases comply with purchase documentation requirements of contracts and purchase orders as the process still remains decentralized.

Management's Response:

Management concurs with the need to update the City's Purchasing Policy and procedures to ensure appropriate level of internal controls, compliance with policy requirements and alignment with best practices. This effort has been hampered by staff turnover, vacancies in key positions and competing priorities. Current management has prioritized review of purchasing and contract administration protocols, to include updating policies, documentation of procedures, staff training and better utilization of the City's financial ERP system to monitor approvals, activity, and compliance.

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL
STATUS OF PRIOR YEAR OTHER MATTERS

2022-03 Current Contracts

The City should ensure that all contracts with outside parties are current.

During the fiscal year 2022 audit, we selected twenty-five disbursements for testing of supporting documentation and noted one disbursement in the amount of \$97,615 made to the Transportation Authority of Marin, for which the most recent contract in place expired on January 1, 2011.

We understand that the City is currently working on a revised contract with the Transportation Authority of Marin, however, the City should develop procedures to ensure that all contracts are current to ensure that payments to outside parties are valid and properly supported.

Current Status:
Implemented.

**CITY OF SAN RAFAEL
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2023**

This Page Left Intentionally Blank

**CITY OF SAN RAFAEL
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
<i>Required Communications</i>	1
Significant Audit Matters:	
Qualitative Aspects of Accounting Practices	1
Difficulties Encountered in Performing the Audit.....	3
Corrected and Uncorrected Misstatements.....	3
Disagreements with Management.....	3
Management Representations	4
Management Consultations with Other Independent Accountants	4
Other Audit Findings or Issues	4
Other Matters	4

This Page Left Intentionally Blank

REQUIRED COMMUNICATIONS

To the City Council of
the City of San Rafael, California

We have audited the basic financial statements of the City of San Rafael (City) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 23, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies - Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year, except as follows:

GASB 96 – Subscription Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term.

Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

The pronouncement became effective, and as disclosed in Note 1T to the financial statements required a prior period restatement for the cumulative effect on the financial statements.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 91 – *Conduit Debt Obligations*

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

GASB 99 – *Omnibus 2022, paragraphs 11-25*

Unusual Transactions, Controversial or Emerging Areas - We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Estimated Net Pension Asset (Liability) and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimates of the net pension asset (liability) and related deferred outflows/inflows of resources are disclosed in Note 9 to the financial statements and are based on an actuarial study and accounting valuation determined by the Marin County Employees' Retirement Association which are based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimates and determined they are reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liability and OPEB-Related Deferred Outflows and Inflows of Resources: Management's estimates of the net OPEB liability and related deferred outflows/inflows of resources are disclosed in Note 11 to the financial statements and are based on an actuarial study determined by a consultant, which is based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimates and determined they are reasonable in relation to the basic financial statements taken as a whole.

Estimate of the depreciation: Management's estimate of depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1K to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Fair Value of Investments: As of June 30, 2022, cash and investments were measured by fair value, as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2022. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2022.

Estimated Long-Term Receivable from San Rafael Sanitation District: Management's estimate of the long-term receivable from the District is disclosed in Note 4G to the financial statements and is based on the District's estimated liability for pension and post-employment health care benefits incurred by the City for the District staff, but not yet funded. We evaluated the key factors and assumptions used to develop the long-term receivable from the District in determining that it is reasonable in relation to the financial statements taken as a whole.

Estimated Claims Liabilities: Management's estimate of the claims liabilities payable is disclosed in Note 13 to the financial statements and is based on actuarial studies determined by a consultant, which are based on the claims experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimate of Compensated Absences: Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1L to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures - The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the City Council.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated **DATE**.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information that accompanies the financial statements, but is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance them.

This information is intended solely for the use of City Council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Pleasant Hill, California

DATE

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

This Page Left Intentionally Blank

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
FOR THE YEAR ENDED JUNE 30, 2023**

Table of Contents

Page

INTRODUCTORY SECTION:

Table of Contents..... i

FINANCIAL SECTION:

Independent Auditor’s Report 1

Basic Financial Statements

Balance Sheet..... 3

Statement of Revenue, Expenditures and Changes in Fund Balance..... 4

Notes to the Basic Financial Statements..... 5

Supplementary Information

Schedule of Federal, State and Local Awards..... 10

Combining Statement of Revenues, Expenditures and Changes in Fund Balance 11

Schedule of Expenditures by State Categories 12

Schedule of Claimed Administrative Costs..... 13

Schedule of Claimed Equipment Expenditures 14

Schedule of Claimed Expenditures for Renovations and Repairs..... 15

Audited Attendance and Fiscal Reports/Audited Fiscal Reports:

CSPP 2274 – California State Preschool Program 16

Audited Reserve Account Activity Report..... 24

Notes to the Supplementary Information..... 25

Independent Auditor’s 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* 27

Summary of Findings and Questioned Costs 29

Current Status of Prior Year Findings..... 30

This Page Left Intentionally Blank

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of San Rafael, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of San Rafael Child Development Program (Program) of the City of San Rafael (City), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Program's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures and in conformity with the *CDE Audit Guide*, issued by the California Department of Education, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is 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 **Date** on our consideration of the Program'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 solely 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 the effectiveness of the Program's 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 Program's internal control over financial reporting and compliance.

Pleasant Hill, California

DATE

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
BALANCE SHEET
JUNE 30, 2023

ASSETS

Cash (Note 3)	\$651,512
Grants receivable (Note 4)	<u>913</u>
Total Assets	<u><u>\$652,425</u></u>

LIABILITIES AND FUND BALANCE

Accounts payable	<u>\$41,460</u>
Total Liabilities	<u>41,460</u>
Fund balance, restricted (Note 5)	<u>610,965</u>
Total Liabilities and Fund Balance	<u><u>\$652,425</u></u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

REVENUES

Restricted:

State grants:

Current year grants	\$541,103
CDBG preschool grant	23,000
First five school readiness grants	117,556
Local grant	20,913

Unrestricted:

Interest	5,098
Parent fees - noncertified children	3,183,904
Other revenue	<u>32,304</u>

Total Revenues	<u>3,923,878</u>
----------------	------------------

EXPENDITURES

Certified salaries	143,367
Classified Salaries	1,715,409
Employee benefits	1,229,531
Training and instruction	6,829
Office supplies	594
Books and supplies	214,387
Utilities and housekeeping services	28,352
Rentals	25,845
Travel and conference	1,319
Services and other operating expenditures	137,493
Equipment	55,271
Insurance	28,490
Renovation and repair	<u>77,556</u>

Total Expenditures	<u>3,664,443</u>
--------------------	------------------

CHANGE IN FUND BALANCE	259,435
------------------------	---------

FUND BALANCE,

Beginning of year	<u>351,530</u>
-------------------	----------------

End of year	<u><u>\$610,965</u></u>
-------------	-------------------------

See accompanying notes to financial statements

CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financials Statements
For the Year Ended June 30, 2023

NOTE 1 – ORGANIZATION

The City of San Rafael operates the Child Development Program encompassing eight childcare centers within the City of San Rafael. One of these centers provides day care services to subsidized families under the Child Development Program funded by the California Department of Education, which includes the Preschool program. The City is financially accountable for the activities of the Program. The Program has no employees and substantially all staff services which it requires are performed by the City's personnel. Costs incurred by the City to provide such services including compensation, retirement, and other benefit costs are reimbursed by the Program. These basic financial statements present only the activities of the Program and are not intended to present the financial position of the City of San Rafael, California, or the results of its operations. The financial statements of the Program are included as a Special Revenue Fund in the City's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or “current financial resources” measurement focus. Accordingly, only current assets and current liabilities generally are included on the balance sheets. Operating statements of governmental funds present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets.

The Program’s financial activities are accounted for using 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 year-end. Expenditures are recorded when the related fund liability is incurred. Revenues considered susceptible to accrual include charges for services, federal and state grants, and interest. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

B. Fund Balance

Fund Balance is the excess of all the Program’s assets over all its liabilities.

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

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

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 3 – CASH AND INVESTMENTS

The Program's cash is included in a City-wide cash and investment pool, the details of which are presented in the City's basic financial statements. The Program pools cash from all sources with the City of San Rafael so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The City's investment policy and the California Government Code permit investments in Securities of the U.S. Government or its agencies, Certificates of Deposit, Negotiable Certificates of Deposit, Banker's Acceptances, Commercial Paper, the State of California Local Authority Investment Fund (LAIF Pool), Repurchase Agreements, Medium-Term Corporate Notes, Limited Obligation Improvement Bonds related to special assessment districts and special tax districts, Mortgage and Asset-Backed Obligations and Money Market/Mutual Funds.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City of San Rafael pooled investments is an uncategorized input not defined as Level 1, Level 2, or Level 3 input.

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023**

NOTE 4 – GRANTS RECEIVABLE

The Program has the following grants receivable at June 30, 2023:

Agency	Grant	Amount
Marin County	First 5 Grant	\$913
	Total	\$913

NOTE 5 – FUND BALANCES

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint.

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 6 – CONTINGENCIES AND COMMITMENTS

The Program participates in Federal, State and County grant programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government. As of June 30, 2023, some amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the City.

SUPPLEMENTARY INFORMATION

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF FEDERAL, STATE AND LOCAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Program	Federal Assistance Listing Number	Pass-Through Identifying Number	Award Amount	Revenue	Expenditures
Federal Awards					
US Department of Housing and Urban Development, Pass-through the County of Marin Community Development Block Grant	14.218	40CDBG23CD452	\$23,000	\$23,000	\$23,000
US Department of Health and Human Services Pass-through State of California, Department of Education Child Care and Development Block Grant	93.575				
ARPA -- Stabilization Stipend		Not available	102,474	74,874	\$74,874
COVID 19 -- CRRSA Stipend		004-0045655	24,806		
Total Federal Awards			<u>\$150,280</u>	<u>\$97,874</u>	<u>\$97,874</u>
State Awards					
Child Development Division State Preschool Program FY2023		CSPP-2274	<u>\$492,677</u>	<u>\$492,677</u>	<u>\$492,677</u>
Total State Awards			<u>\$492,677</u>	<u>\$492,677</u>	<u>\$492,677</u>
County Award					
County of Marin First Five - Preschool		CSRI-21-009-11	<u>\$117,556</u>	<u>\$117,556</u>	<u>\$117,556</u>
Total County Awards			<u>\$117,556</u>	<u>\$117,556</u>	<u>\$117,556</u>
Local Awards					
Marin Child Care Council		N/A	<u>\$20,913</u>	<u>\$20,913</u>	<u>\$20,913</u>
Total Local Awards			<u>\$20,913</u>	<u>\$20,913</u>	<u>\$20,913</u>
Total State, Federal Awards, and Local			<u>\$781,426</u>	<u>\$729,020</u>	<u>\$729,020</u>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2023

	State Preschool Program (CSPP1283)	Total CDE CD Contracts	Non-CDE Programs	Total
REVENUES				
Restricted:				
State grants:				
Current year grants	\$541,103	\$541,103		\$541,103
CDBG preschool grant			\$23,000	23,000
First Five school readiness grants			117,556	117,556
Local grants			20,913	20,913
Unrestricted:				
Interest			5,098	5,098
Parent fees - noncertified children			3,183,904	3,183,904
Other revenue			32,304	32,304
Total Revenues	<u>541,103</u>	<u>541,103</u>	<u>3,382,775</u>	<u>3,923,878</u>
EXPENDITURES				
Certified salaries	143,367	143,367		143,367
Classified salaries	106,643	106,643	1,608,766	1,715,409
Employee benefits	194,820	194,820	1,034,711	1,229,531
Training and instruction			6,829	6,829
Office supplies			594	594
Books and supplies	25,784	25,784	188,603	214,387
Utilities and housekeeping services			28,352	28,352
Travel and conference			1,319	1,319
Rentals			25,845	25,845
Services and other operating expenditures	22,063	22,063	115,430	137,493
Equipment			55,271	55,271
Insurance			28,490	28,490
Renovation and repair			77,556	77,556
Total Expenditures	<u>492,677</u>	<u>492,677</u>	<u>3,171,766</u>	<u>3,664,443</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>48,426</u>	<u>48,426</u>	<u>211,009</u>	<u>259,435</u>
CHANGE IN FUND BALANCE	<u><u>\$48,426</u></u>	<u><u>\$48,426</u></u>	<u><u>\$211,009</u></u>	<u><u>\$259,435</u></u>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
FOR THE YEAR ENDED JUNE 30, 2023

		CSPP-2274 State Preschool Program	Totals
EXPENDITURES:			
1000	Certified personnel salaries	\$143,367	\$143,367
	Due from State		
1100	Teachers' salaries	143,367	143,367
1200	Administration		
1300	Supervisors' salaries		
1600	Infant educators		
2001	Classified personnel salaries	\$106,643	\$106,643
2100	Instructional aides' salaries	106,643	106,643
2300	Clerical and other office salaries		
2500	Food services salaries		
2600	Transportation salaries		
3000	Employee benefits	\$194,820	\$194,820
3200	Payroll taxes (Medicare)	3,383	3,383
3300	Other benefits	141,094	141,094
3400	Health and welfare	47,673	47,673
3600	Workers' compensation insurance	2,670	2,670
4000	Books and supplies	\$25,784	\$25,784
4200	Other books		
4300	Instructional materials and supplies	25,784	25,784
4500	Other supplies		
4600	Food supplies		
5000	Services and other operating expenditures	\$22,063	\$22,063
5100	Lecturer		
5200	Travel and conferences		
5300	Memberships and dues	603	603
5400	Insurance	1,689	1,689
5500	Utilities and housekeeping services	2,219	2,219
5600	Rentals, leases and repairs		
5700	Audit expense		
5800	Other direct services & admin.	17,552	17,552
6000	Capital Outlay		
6100	Sites and improvements of sites		
6200	Buildings and improvements of buildings		
6400	Equipment (program-related)		
6500	Equipment replacement (program related)		
Depreciation			
Costs capitalized as Fixed Assets			
TOTAL OF REIMBURSABLE AND NONREIMBURSABLE EXPENDITURES		\$492,677	\$492,677

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF CLAIMED ADMINISTRATIVE COSTS
FOR THE YEAR ENDED JUNE 30, 2023

	CSPP-2274 State Preschool Program
<u>Administrative Costs</u>	
5000 Services and other operating expenses (audit fees)	<u>\$7,282</u>
Total Administrative Costs claimed for reimbursement	<u><u>\$7,282</u></u>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM

SCHEDULE OF CLAIMED EQUIPMENT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023

<u>Capitalized Equipment Expensed on the AUD with Prior Written Approval</u>		<u>CSPP-2274</u>
None		<u>\$0</u>
Subtotal		<u>0</u>
 <u>Capitalized Equipment Expensed on the AUD without Prior Written Approval</u>		 <u>CSPP-2274</u>
None		<u>0</u>
Subtotal		<u>0</u>
Total		<u><u>\$0</u></u>

NOTE: The City's capitalization threshold is \$5,000.

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM

SCHEDULE OF CLAIMED EXPENDITURES FOR RENOVATIONS AND REPAIRS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Capitalized R&R Project Under \$10,000</u>		<u>CSPP-2274</u>
None		<u>\$0</u>
Subtotal		<u>0</u>
<u>Capitalized R&R Project of \$10,000 or More with Prior Written Approval</u>		<u>CSPP-2274</u>
None		<u>0</u>
Subtotal		<u>0</u>
<u>Capitalized R&R Project of \$10,000 or More without Prior Written Approval</u>		<u>CSPP-2274</u>
None		<u>0</u>
Subtotal		<u>0</u>
Total		<u><u>\$0</u></u>

NOTE: The City's capitalization threshold is \$5,000.

Contractor Name: City of San Rafael Child Development Program

Contract Number: CSPP 2274

**California Department of Education
Audited Enrollment, Attendance and Fiscal
Report for California State Preschool Program**

Fiscal Year Ended: June 30, 2023

Vendor Code: 2193

Section 1 – Number of Counties Where Services are Provided

Number of counties where the agency provided services to certified children (Form 1): **1**

Number of counties where the agency provided mental health consultation services to certified children (Form 2): **0**

Number of counties where the agency provided services to non-certified children (Form 3): **0**

Number of counties where the agency provided mental health consultation services to non-certified children (Form 4): **0**

Total enrollment and attendance forms to attach: **1**

Note: For each of the above categories, submit one form for each service county.

Section 2 – Days of Enrollment, Attendance and Operation

Enrollment and Attendance Form Summary	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjusted Days per Audit
Total Certified Days of Enrollment	11,864		11,864	11,864.0000
Total Certified Days of Enrollment with Mental Health Consultation Services			0	
Days of Attendance (including MHCS)	10,567		10,567	N/A
Total Non-Certified Days of Enrollment			0	
Total Non-Certified Days of Enrollment with Mental Health Consultation Services			0	

Days of Operation	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjusted Days per Audit
Days of Operation	175		175	N/A

Section 3 – Revenue

Restricted Income	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Child Nutrition Programs			0
County Maintenance of Effort (EC Section 8260)			0
Other: ARPA		74,874	74,874
Other:			0
TOTAL RESTRICTED INCOME	0	74,874	74,874

Transfer from Reserve	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Transfer from Preschool Reserve Account			0

Other Income	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Waived Family Fees for Certified Children			0
Interest Earned on Child Development Apportionment Payments			0
Unrestricted Income: Fees for Non-Certified Children			0
Unrestricted Income: Head Start			0
Other:			0
Other:			0

Section 4 - Reimbursable Expenses

Cost Category	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Direct Payments to Providers (FCCH only)			0
1000 Certificated Salaries	143,367		143,367
2000 Classified Salaries	106,643		106,643
3000 Employee Benefits	194,820		194,820
4000 Books and Supplies	25,784		25,784
5000 Services and Other Operating Expenses	22,063		22,063
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Equipment Replacement (program-related)			0
Depreciation or Use Allowance			0
Start-up Expenses (service level exemption)			0
Indirect Costs (include in Total Administrative Cost)			0
TOTAL REIMBURSABLE EXPENSES	492,677	0	492,677

Does the agency have an indirect cost rate approved by its cognizant agency (Select YES or NO)? ☐ Yes ☒ No

Approved Indirect Cost Rate:

Specific Items of Reimbursable Expenses	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Total Administrative Cost (included in Reimbursable Expenses)		7,282	7,282
Total Staff Training Cost (included in Reimbursable Expenses)			0

☐ NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 4.

Section 5 - Supplemental Funding

Supplemental Revenue	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Enhancement Funding	10,420		10,420
Other:			0
Other:			0
TOTAL SUPPLEMENTAL REVENUE	10,420	0	10,420

Supplemental Expenses	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
1000 Certificated Salaries			0
2000 Classified Salaries			0
3000 Employee Benefits	35		35
4000 Books and Supplies			0
5000 Services and Other Operating Expenses	6,200		6,200
6000 Equipment / Capital Outlay	357		357
Depreciation or Use Allowance			0
Indirect Costs			0
Non-Reimbursable Supplemental Expenses	84		84
TOTAL SUPPLEMENTAL EXPENSES	6,676	0	6,676

Section 6 - Summary

Description	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Total Certified Days of Enrollment (including MHCS)	11,864	0	11,864
Days of Operation	175	0	175
Days of Attendance (including MHCS)	10,567	0	10,567
Total Certified Adjusted Days of Enrollment	N/A	N/A	11,864.0000
Total Non-Certified Adjusted Days of Enrollment	N/A	N/A	0.0000
Restricted Program Income	0	74,874	74,874
Transfer from Preschool Reserve Account	0	0	0
Interest Earned on Apportionment Payments	0	0	0
Direct Payments to Providers	0	0	0
Start-up Expenses (service level exemption)	0	0	0
Total Reimbursable Expenses	492,677	0	492,677
Total Administrative Cost	0	7,282	7,282
Total Staff Training Cost	0	0	0
Non-Reimbursable Cost (State Use Only)	N/A	N/A	

Section 7 – Auditor’s Assurances

Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Education Division:

Eligibility, enrollment and attendance records are being maintained as required (Select YES or NO): ☒ Yes ☐ No

Reimbursable expenses claimed in Section 4 are eligible for reimbursement, reasonable, necessary, and adequately supported (Select YES or NO): ☒ Yes ☐ No

Section 8 – Comments

Include any comments in the comment box. If necessary, attach additional sheets to explain adjustments.

Adjustments identified in Column B are adjustments made to report audit fees as administrative costs and ARPA funds.

California State Preschool Program – Form 1

Certified Children Days of Enrollment and Attendance

Service County: Marin

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years Old Full-time-plus			0	2.1240	0.0000
Three Years Old Full-time			0	1.8000	0.0000
Three Years Old Part-time	2,452		2,452	1.0872	2,665.8144
Four Years and Older Full-time-plus			0	1.1800	0.0000
Four Years and Older Full-time			0	1.0000	0.0000
Four Years and Older Part-time	7,911		7,911	0.6040	4,778.2440
Exceptional Needs Full-time-plus			0	2.8320	0.0000
Exceptional Needs Full-time			0	2.4000	0.0000
Exceptional Needs Part-time	1,501		1,501	1.4496	2,175.8496
Dual Language Learner Full-time-plus			0	1.4160	0.0000
Dual Language Learner Full-time			0	1.2000	0.0000
Dual Language Learner Part-time			0	0.6040	0.0000

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus			0	1.2980	0.0000
At Risk of Abuse or Neglect Full-time			0	1.1000	0.0000
At Risk of Abuse or Neglect Part-time			0	0.6040	0.0000
Severely Disabled Full-time-plus			0	2.8320	0.0000
Severely Disabled Full-time			0	2.4000	0.0000
Severely Disabled Part-time			0	1.4496	0.0000
TOTAL CERTIFIED DAYS OF ENROLLMENT	11,864	0	11,864	N/A	9,619.9080

Attendance	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
DAYS OF ATTENDANCE	10,567		10,567	N/A	N/A

Enter the sum of Total Certified Days of Enrollment from all Form 1s in the Total Certified Days of Enrollment line of AUD 8501, Section 2.

Enter the sum of Days of Attendance from all Form 1s and Form 2s in the Days of Attendance line of AUD 8501, Section 2.

California Department of Education
Audited Preschool Reserve Account Activity Report

Fiscal Year Ending: June 30, 2023

Vendor Code: 2193

Contractor Name: City of San Rafael Child Development Program

Section 1 – Prior Year Reserve Account Activity

1. Beginning Balance (2021–22 AUD 9530A Ending Balance): 10,696

2. Plus Transfers to Reserve Account:

2021–22 Contract No.	Per 2021–22 Post-Audit EENFS 9530
1283	8,369
Total Transferred from 2021–22 Contracts	8,369

3. Less Excess Reserve to be Billed:

4. 2021–22 EENFS 9530 Reserve Balance After Billing: 19,065

Section 2 – Current Year Reserve Account Activity

5. Plus Interest Earned This Year on Reserve:

Description	Column A per CPARIS	Column B Audit Adjustments	Column C Total per Audit
Interest Earned	2		2

6. Less Transfers to Contracts from Reserve:

2022–23 Contract No.	Column A per CPARIS	Column B Audit Adjustments	Column C Total per Audit
			0
			0
			0
Total Transferred to Contracts	0	0	0

7. Ending Balance:

Description	Column A per CPARIS	Column B Audit Adjustments	Column C Total per Audit
Ending Balance on June 30, 2023	19,067	0	19,067

COMMENTS – If necessary, attach additional sheets to explain adjustments.

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Supplementary Information
For the Year Ended June 30, 2023**

NOTE 1 – NOTE TO SUPPLEMENTARY INFORMATION

In accordance with the applicable requirements from the Funding Terms and Conditions of the City of San Rafael’s child development contract:

A. *Interest Expense*

Interest expense is only allowable as a reimbursable cost in certain circumstances when it has been preapproved by the administering state department or relates to the lease purchase, acquisition, or repair or renovation of early learning and care facilities owned or leased by the contractor. No interest expense was claimed as a reimbursable expense for the year ended June 30, 2023.

B. *Related Party Rent Expense*

All expenses claimed for reimbursement under a related party rent transaction must be supported by a fair market rental estimate from an independent appraiser, licensed by the California Office of Real Estate Appraisers. No related party rent expense was claimed as a reimbursable expense for the year ended June 30, 2023.

C. *Bad Debt Expense*

Bad debt expense is unallowable unless it relates to uncollected family fees where documentation of adequate collection attempts exists. No bad debt expense was claimed to a child development contract for the year ended June 30, 2023.

This Page Left Intentionally Blank

**INDEPENDENT AUDITOR'S 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***

To the Honorable Members of the City Council
City of San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of San Rafael Child Development Program (Program), California, as of and for the year ended June 30, 2023, and have issued our report thereon dated **DATE**. Our report included an emphasis of a matter paragraph disclosing the implementation of a new accounting principle.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) as a basis for designing of 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 Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 Program's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control that we consider to be a significant deficiency as listed on the Schedule of Significant Deficiency included as part of our separately issued Memorandum on Internal Control dated **[BFS Opinion Date]**, which is an integral part of our audit and should be read in conjunction with this report.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program'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 financial statements. 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 that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in our separately issued Memorandum on Internal Control dated [BFS Opinion Date], which is an integral part of our audit and should be read in conjunction with this report. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pleasant Hill, California

DATE

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
SUMMARY OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023**

None noted.

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
CURRENT STATUS OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2023**

None noted.

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
COMPLIANCE WITH THE PROPOSITION 111
2023-2024 APPROPRIATIONS LIMIT INCREMENT**

Honorable Mayor and Members of the City Council
City of San Rafael, California

We have performed the procedures enumerated below on the Appropriations Limit Worksheet (Worksheet) of the City of San Rafael, California, for the year ended June 30, 2024. The City's management is responsible for the Worksheet.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of these procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines, performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

- A. We obtained the Worksheet (Exhibit B to the Resolution) and determined that the 2023-2024 Appropriations Limit of \$179,385,992 and annual adjustment factors were adopted by Resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council. However, the Resolution indicated that the percent change in California's per capita personal income was selected, but the Worksheet shows that the larger adjustment factor of the change in assessment roll for nonresidential construction of Marin County was used for the calculation of the 2023-2024 Appropriations Limit.
- B. We recomputed the 2023-2024 Appropriations Limit by multiplying the 2022-2023 Prior Year Appropriations Limit by the Total Growth Factor. We recomputed the Total Growth Factor by multiplying the population option by the inflation option.
- C. For the Worksheet, we agreed the Per Capita Income Factor, City Population Factor and County Population Factor to California State Department of Finance Worksheets, and the Change in Assessment Roll for Nonresidential Construction Factor to the Marin County Worksheet.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

REVIEW DRAFT

10/30/2023

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Pleasant Hill, California

DATE