

City of
MARTINEZ
California



Comprehensive
Annual Financial Report
for the
Fiscal Year Ended
June 30, 2018

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CITY OF MARTINEZ, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

Prepared by
ADMINISTRATIVE SERVICES DEPARTMENT

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For the Year Ended June 30, 2018

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January 16, 2019

Honorable Mayor and Council Members

State law requires that all general-purpose local governments publish a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP), within six months of the close of each fiscal year. Therefore, we are pleased to present the City of Martinez's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. The City is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly set forth the financial position and results of operations of the City measured by the financial activity of its funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Government Code of the State of California requires general law cities, such as the City of Martinez, to have its financial statements audited by an independent certified public accountant. Accordingly, this year's audit was completed by the accounting firm of Maze & Associates. The firm was engaged by the City Council to render an opinion of the City's financial statements in accordance with generally accepted auditing standards. To ensure complete independence, Maze & Associates has full access to the City Council to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of financial reporting. The auditor's report on the basic financial statements is the first item in the accompanying financial statements.

GAAP requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter is designed to complement the MD&A and should be



read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of Martinez

The City's roots can be traced back to 1824 when the Alhambra Valley was included in the Rancho El Pinole Mexican land grant to Ygnacio Martinez. By the late 1840's, the City was a ferryboat transit point across the Carquinez straits on the way to the gold fields of California. The City was officially incorporated in 1876 and serves as the County seat of Contra Costa County. It is located along the Sacramento and San Joaquin rivers in the central part of the County. By the time of its incorporation, Martinez had evolved into one of the area's most significant trading posts and shipping ports. Today, the City covers over 13 square miles and has approximately 37,658 residents. As one of California's first towns, Martinez retains a strong sense of history and family. The renowned naturalist John Muir made Martinez his home for nearly a quarter century and in 1914, the year of Muir's death, the legendary baseball great Joe DiMaggio was born here. One of the unique aspects of Martinez is its architecture. Many of the downtown shops still retain their early 20th century look and charm, with some homes dating back more than 125 years.

The City operates under the Council-Manager form of government. The City Manager is responsible for the efficient implementation of Council policy and the effective administration of all City government affairs. The City is organized into four departments reporting directly to the City Manager. They are Administrative Services, Community and Economic Development, Police and Public Works.

The City provides a full range of services including police, public works, community and economic development, planning, building, engineering and inspection, parks and recreation, and general administrative services. The City's General Fund supports these services. The City enterprise operations consist of the Parking Services, Water System, and Marina Services funds. All these services are accounted for in the City's financial statement.

Economic Outlook

The revised Third Quarter 2018 Gross Domestic Product (GDP) released by the U.S. Department of Commerce Bureau of Economic Analysis showed an annual increase of 3.5%, and a decrease from the 4.2% GDP rate in the Second Quarter. The increase in real GDP in the third quarter reflected positive contributions from personal consumption expenditures (PCE), private inventory investment, nonresidential fixed investment, federal government spending, and state and local government spending that were partly



offset by negative contributions from exports and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased national unemployment has held steady at 3.7% in November for the third straight month, which reflects continuing strength in the U.S. labor markets.

According to a Fall 2018 report prepared by Beacon Economics, LLC, thanks to large employment increases in logistics, goods producing, and technical industries, the East Bay's unemployment rate is the lowest it has been in decades, suggesting that the current expansion of the region's economy is far from over. From August 2017 to August 2018, the unemployment rate in the East Bay decreased 0.9 percentage points from 3.8% to 2.9%, with the labor market tightening further. The local commercial real estate market stands out as it remains on a strong growth path and rents are increasing. Still, while the East Bay economy is continuing on its upward trajectory, the rate of growth in the region has slowed marginally compared to one year ago. Labor market constraints, not a weakening economy, are cited as the reason for the slowdown. Beacon Economics forecasts the East Bay's unemployment rate to end the year at 3.1% with little change in 2019. The City, much like the larger economies of the State and surrounding region, continues to show strength as it emerges from the long-term impacts of the recent recession. The improving economy is evident in the latest employment trend data as of October 2018. Since April 2011, the County's rate has dropped from 10.5% to 3.0%, and the City's rate dropped from 8.4% to 2.9%. These local figures compare favorably to the statewide and national rates, at 3.7% and 4.1% respectively.

The East Bay housing market continues to remain strong and has now fully recovered from the precipitous decline in housing values from 2008-09. The median home sales value in Martinez as of the end of October 2018 is \$611,900, up from \$592,100 a year ago, according to the Zillow Home Value Index. Home values are expected to remain somewhat steady for the next year. The City monitors trends in the median home sales price and homes sold as indicators of the strength of the City's property tax base as well as its Document Transfer Tax revenues.

The City has prioritized the pursuit of smart development opportunities as a means to help revitalize the downtown area and other areas of Martinez to the benefit of the City's long-term economic health. The City has begun to take affirmative measures to facilitate these opportunities, including implementation of its Economic Development Action Plan (EDAP).



Major Initiatives and Objectives

Public Safety. The Police Department has been focused on recruiting police officers and dispatchers to fill vacancies in a fairly challenging and competitive job market. Recruitment efforts are continuous in order to fill vacancies and expand capacity to provide services.

Last year, the Police Department was able to assign an officer as a Community Resource Officer to focus on homelessness and serve as a liaison for the business and residential community on quality of life issues. This position was designed to coordinate closely with the Contra Costa County Division of Health, Housing, and Homelessness. The Department also created a full-time Traffic Enforcement Officer to focus on accident investigations, creating strategies to help reduce collisions, as well as focus on traffic enforcement with an emphasis on safe routes to school. Due to significant staffing constraints, the Department had to remove both the Community Resource Officer and the Traffic Enforcement Officer from these assignments to staff vacancies in Patrol. As of September 2018, the Department was able to move an officer back to the Community Resource Unit to focus on homelessness due to improved staffing levels based on the hiring of several officers.

Last year, the City embarked on a collaborative effort with the City of Pleasant Hill and the County's Division of Health, Housing, and Homeless Services to deploy outreach workers in both cities to focus on homeless outreach. The initiative has been working well by enabling the Department to focus on strategic interventions for the chronic homeless and facilitating services. The collaboration has also provided the ability to drop off people to shelters, the CARE center, or the Warming Center for safe places to stay. The Community Services Officer position is a critical part of the City's ongoing efforts to work on the homelessness problem.

The Department is working with the County Continuum of Care on Homeless Emergency Aid Program (HEAP) funding to bolster services in Central Contra Costa County; this is a regional effort. The Chief of Police has been engaged in homelessness problem solving discussions with our service partners and was selected by the County Board of Supervisors to serve on the Contra Costa County Council on Homelessness from 2018 to 2020.

Further, the Department has continued with its Automated License Plate Reader (ALPR) expansion and worked to share the cost of an ALPR system on the south end of town with the City of Pleasant Hill. This project has already been completed and the ALPR has already shown value in identifying stolen vehicles.



The Department will also be adding two lieutenants in the near future due to the retirement of one of our Captains. The organization will function with one Captain and two lieutenants in the management ranks to provide stronger oversight and coordination between work groups.

Through the successful passage and support of Measure X, the goal will be to continue recruiting and retaining talented individuals to fill vacancies. Staffing a School Resource Officer as well as the Traffic Enforcement Unit to focus on school and traffic safety are Department priorities.

Measure X. On July 23, 2018, the City Council unanimously placed Measure X – a local half-cent sales tax measure for quality of life and essential services – on the November 6, 2018 ballot. This Council action was taken in order to proactively address the significant financial challenges the City faces due to a dramatic increase in costs which would otherwise jeopardize the City's ability to provide high quality public safety and core services to the community. The residents approved Measure X with an approval of over 72% and the City will now commence the process of incorporating the anticipated proceeds into the upcoming FY 2019-21 Budget.

Measure H Projects. The residents of Martinez approved Measure H, a \$30 million Parks, Pool and Library Bond measure in November 2008. A total of \$15 million in bonds were issued in May 2009 and an additional \$10 million in bonds were issued in April 2012. The final \$5 million in bonds was issued in 2017. The projects supported by this bond included construction of the Rankin Aquatic Center; renovation and expansion of the City library; renovations to Holiday Highlands, Hidden Lakes, Nancy Boyd, Hidden Valley, Susana Street, Mt. View and Rankin parks and Tavan Field; and improvements to tennis and basketball courts at various parks.

The Waterfront Park Rehabilitation Project, totaling over \$8 million, commenced early in 2017-18. Improvements include renovation of sports fields, the addition of lights for the softball and baseball fields, renovation of individual and group picnic areas, park safety lighting, pathways and ADA improvements. Enhancements were made to Field 3 to accommodate a professional baseball team within a Bay Area independent league. The Project was substantially completed in October 2018.

Additional Measure H renovation projects utilizing the last of the bond funding are planned for Golden Hills and Highland parks, along with upgrades to the pathways and picnic areas in John Muir Park and Alhambra Park. The Project will likely be funded by a combination of Measure H, developer fees and gas tax. Construction is anticipated to begin in the spring of 2019.



Transportation Improvements. The project scoping document for the Alternative Waterfront Access Study, formerly known as the North Court Street Overcrossing, was completed. The preferred alternative was a bridge over Alhambra Creek connecting Berrellesa Street to the new Intermodal parking lot and Ferry Street. The project provides a long planned secondary access to the waterfront and marina was opened to the public in December of 2017.

Contra Costa County Measures “C” and “J” along with state and federal grants were used to purchase property to construct the Martinez Intermodal Station that was opened to the public in 2001. The Intermodal Phase III improvements provide for the construction of an overflow parking lot, the vehicle bridge discussed above, a pedestrian bridge, and other improvements. The parking lot north of the railroad tracks was completed in 2014 and the vehicular bridge from Berrellesa Street to the overflow parking lot was opened to the public in December of 2017.

The pedestrian overcrossing from the overflow parking lot to the existing Amtrak station; realignment of the entrance to Ferry Street; and other pedestrian improvements are under construction with substantial completion anticipated in March 2019.

Lastly, the Measure J Pacheco Boulevard Widening Project Study Report was completed in April of 2017. The study area is in both the unincorporated County areas and the City, along Pacheco Boulevard from Blum Road to Morello Avenue. Measure C funds, transferred to the City of Martinez from Contra Costa County, were used for the preliminary design of the signal and intersection improvements at Arnold Drive within the City limits. The preliminary design was completed in June 2018. Utility relocation is anticipated to be completed by June 2020 with City construction of the street improvements planned in fiscal year 2020-21.

The outlook for substantial road pavement and repair work in Martinez looks bright. Martinez voters overwhelmingly adopted Measure D in November 2016, a half-cent sales tax initiative projected to supply approximately \$3.5 million per year for paving from now until 2032. Scoping for the first round of Measure D-funded paving projects began in FY 2017-18. On May 16, 2018, the Council gave its approval for including eight neighborhood priority areas in the 2018-19 Measure D Paving Project. Preparatory work on many of these streets has already begun. A new set of priority paving areas will be discussed in early 2019. Additionally, Gas Tax revenues are expected to increase \$775,000 annually beginning in FY 2018-19, thanks to the April 2017 passage of SB 1, the \$52 billion State transportation bill (which recently survived efforts to repeal it). With these substantial new



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Water System Capital Improvements. The City Water System is in the process of major renovations and improvements over a multi-year period. These upgrades have included construction of the replacement tank to the Harborview Reservoir (2015); installation of electrical upgrades throughout the Water Treatment Plant (2015-17); seismic upgrades to the 1967 portion of the Water Treatment Plant (2015-17); conversion to anhydrous ammonia by installing a new tank, controls, pumps and piping (2016-18); and the Flocculator Paddle Replacement Project as part of overall equipment modernization efforts (2016-18). The City is also continuing to replace undersized, old and/or deteriorated waterlines on a bi-annual basis. A multi-million dollar project was awarded in November of 2016 and construction is nearing completion. The City is approaching the completion of the Webster Drive Pump station design. The feasibility of obtaining bonds to construct this and other needed water system improvements is currently being analyzed. Further, the City is also about to commence the Ozone Generation Replacement System Project which has allocated \$1,500,000 for construction and design.

General Plan Update. The City of Martinez is in the process of updating its General Plan; the comprehensive, long-term plan for the physical development of the City. Much of the City's existing General Plan was adopted in 1973. After more than three and a half decades of use, it is appropriate to re-evaluate the scope and content of the document, which exists as the community's statement of its fundamental values and as a shared vision for its future development. The General Plan is intended to articulate how the citizens of Martinez view the community, both now and in the future, and where the community stands on current and future planning and development issues.



Due to staffing shortages, this project was delayed from last year. Staff is hopeful that it will be adopted in early 2019. A comprehensive Zoning Ordinance update will be initiated after adoption of the updated General Plan.

Strategic Planning. In December 2016, the City of Martinez conducted a high-level review of the organization to develop recommendations that will support the City in meeting Council priorities and delivering high-quality municipal services to the community. This organizational scan assessed the City's existing staffing to determine whether the City is positioned well to deliver essential services and implement City Council priorities. The recommendations resulting from the scan called for a realignment of the City's organization structure, a renewed focus on strategic planning and economic development, as well as serious consideration of additional positions in critical service areas that are currently under-resourced. Soon after completion of this report, the City initiated a strategic planning process in preparation for the FY 2017-19 Budget, and utilized the scan as a resource during that process. The Strategic Plan has been updated periodically since that time and will need to be revisited as a key planning tool in preparation for the FY 2019-21 Budget.

As a result of the strategic planning study sessions, the Council identified updated Vision, Mission and Goal statements, as well as gained consensus on a number of action items consistent with the identified Goal categories and organized by three "tiers." The City is in the process of both implementing and updating its Strategic Plan to track key projects and ensure adequate City resources are devoted to the highest-priority areas.

Economic Development. The City's priority of economic development is particularly important to increase and diversify revenues. The Council showed its commitment to this venture by creating two new positions: Community and Economic Development Director and Economic Development Coordinator. These positions were filled by late 2017 and the team has been working on several key economic development projects. Work includes reaching out to the community, including individual businesses, property owners, and brokers, as well as the Chamber of Commerce and Main Street Martinez in the development of the Economic Development Action Plan (EDAP).

Other work includes developing marketing materials and tools to aid in business retention and attraction. Updating the General Plan and Zoning Ordinance is another means of helping not only the residents, but creating a transparent, consistent and predictable permitting path for developers and businesses, making Martinez a great place to live and do business.



Martinez Clippers Baseball Corporation. The Clippers' initial season within the Pacific Association of Professional Baseball Clubs (PAPBC) commenced with a May 31, 2018 opening day and culminated at the end of August. Additional improvements to the facilities are being considered prior to the start of the second season.

Cannabis. The City is crafting a Cannabis Management Program that will include regulations and fees to cover potential City costs. This ordinance is expected to be adopted and in effect by January/February of 2019.

Marina. Planning for the long-term future of the marina has been a key issue for many years. The City received a new grant of marina trust lands in September 2014 through Senate Bill 1424 which requires trust lands be held by the City, as trustee, for the benefit of all the people of the State for purposes consistent with the public trust doctrine. The doctrine includes protecting maritime or water dependent commerce, navigation, and fisheries, and the preservation of the lands in their natural state for scientific study, open space, wildlife habitat and water-oriented recreation. The land grant allows the City to manage and lease the granted lands according to the public trust doctrine with 100% of the revenue generated from the marina going back into the City's enterprise fund that supports operation of the marina. The marina is an integral part of the shoreline experience that many residents of the region enjoy on a regular basis. It provides opportunities for landside and water recreational experiences, as well as education and research. SB 1424 will help maintain and preserve the Martinez Marina for the enjoyment and use by residents, businesses and public service agencies. As a condition of the land grant, the City must initiate development of a marina master waterfront plan and complete this process by January 1, 2020.

The City has begun the process of developing a Trust Lands Use Plan, with the goal of not only satisfying the State requirement, but creating a plan that will be the foundation and dovetail into a comprehensive specific plan for the Waterfront that emphasizes linkages to downtown and the rest of the community.

The City is also working with the County to coordinate our waterfront and economic development efforts with the County's Northern Waterfront Economic Development Initiative (NWEDI).

Partial Marina dredging completed in 2017 will allow the potential for a private ferry to begin service in early 2019. This coordination with our intermodal facility will add private ferry to existing bus and rail service options in Martinez. The City will continue to work with other agencies to explore the potential of public ferry service in Martinez as a future transportation option.



Lot 4 Plans. The City has acquired the property at 821-825 Escobar, which is surrounded by Parking Lot 4. Of the three tenants of the building, two have vacated. The remaining tenant is expected to vacate the property in 2019. At that point, plans for the site can be made for the future.

Old Train Depot. Staff is anticipating the completion of a Phase II assessment of the property and completion of other research directed by the Council. This assessment will help the Council make an informed decision about the disposition of the property.

Community Based Transportation Plan (CBTP). The CBTP program is a collaborative process involving residents of low-income and minority communities, community-based organizations that provide services within these areas, transit operators, county congestion management agencies (CMAs) and the Metropolitan Transportation Commission (MTC). The City's existing CBTP was prepared in 2009. This project would update that plan. The planning process involves a significant community outreach component to engage the direct participation of residents. The outcome of the planning process is an updated CBTP that includes locally identified transportation needs, as well as solutions to address them. Solutions may include expanding fixed-route transit, or other transportation services such as shuttles, bicycle options or auto-oriented alternatives. In some cases, new capital improvements such as bus stops, pedestrian improvements or other enhanced amenities may be identified. Funding opportunities are explored to support the solutions, and an outline for an action plan to implement identified solutions is developed.

This project is funded by federal Surface Transportation Program (STP) Funds available through MTC's One Bay Area Grant (OBAG) program; with the remainder of the funding to be provided through a local match of Engineering and Planning staff time.

Climate Action Plan/Sustainability Programs. The City expanded its commitment to provide recycling infrastructure and educational programming in area schools through a second transitional agreement with the Martinez Unified School District worth \$18,500 (increased from \$15,000 for FY 2017-18) for recycling education services. This agreement follows three years of extensive CalRecycle grant support utilized to launch the program, particularly for K-5 students. The goal of the program is for MUSD to take more ownership of its recycling programs and develop sustainable systems which will build upon the previous year's success.

The City also initiated and secured the City's fifth year of participation in the California Youth Energy Services Program provided by Rising Sun Energy Center. This Program provided a paid workforce training and development opportunity for Martinez youth and



offered Martinez residents with free energy and water conservation assessments, infrastructure, and installation services. Program partners Andeavor (formerly the Tesoro Foundation) and Republic Services provided the City with funding support, and Martinez Adult Education provided in-kind office space and workstations to enable the City's continued participation in this community benefit program. The program model is shifting in 2019 to target only the highest energy consumers and lowest income customers. As such, the City's involvement will change from direct program partner/sponsor to a program advocate for those Martinez businesses or residents who may still qualify for the service.

Financial Information

Accounting System and Internal Controls. In developing and evaluating the City's accounting system, consideration is given to the accuracy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurances regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the accuracy and reliability of accounting data and the adherence to prescribed managerial policy. The Administrative Services Department has been delegated the responsibility to maintain the integrity of the City's recorded financial data. Accounting for all of the City's activities is centralized under the Finance Division. The Administrative Services Department, in conjunction with City management, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft, or misuse.

As a recipient of federal, state, and county financial assistance for a variety of projects or programs, the City is responsible for ensuring that an adequate control structure is in place to comply with applicable laws and regulations related to those projects or programs. City administration believes the existing internal control systems are adequate to provide reasonable assurance the City's assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City's "Unqualified" Audit issued for 2018.

Budgeting Controls. The City maintains extensive budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the biennial appropriated budget approved by City Council. Activities of all government and business type funds are included in the biennial budget. The budgetary level of control, the level at which expenditures cannot legally exceed the appropriated amount, for the operating budget is at the department level. For the capital improvement budget, the level of control is at the individual project level. The City also utilizes the encumbrance system



as a management control to assist in controlling expenditures. All appropriations lapse at year-end; however, encumbrances and appropriations for unfinished capital and other projects are reviewed and, when warranted, re-appropriated as part of the following year's budget. Budget-to-budget comparisons are included in the Financial Section for the General Fund and Special Revenue Funds.

Debt Administration. The City generally incurs long-term debt to finance projects or purchase assets that will have useful lives equal to or greater than the related debt.

The General Long-term Obligations Account Group provides accounting control over the principal of the City's general long-term debt. This debt will be repaid only out of governmental funds, but is not accounted for in these funds because this debt does not require an appropriation or expenditure in this accounting period. The City's long-term obligations are reported in the Statement of Net Assets.

Proprietary Fund (Enterprise and Internal Service) long-term debt is maintained in the fund that will repay the debt because the City accounts for these funds on a full-accrual basis in a manner similar to that of commercial operations.

Bond premiums, discounts, and issuance costs are recognized during the period of issuance for governmental fund types. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, the bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges. The City's debt is explained in detail in Note 7 to the Financial Statements.

Other Information

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Martinez for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 17th consecutive award the City has received from GFOA. In order to be awarded a Certificate of Achievement, a City must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Staff believes that the current comprehensive annual financial report continues to meet the Certificate of



Achievement Program requirements and as such, will submit it to GFOA to determine its eligibility for another award.


Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the Administrative Services Department. Special recognition is given to the Finance Division for their efforts in preparing this report. I would also like to thank the City Council for their support in planning and directing the financial operations of the City.

Respectfully Submitted,



Brad Kilger
City Manager



David Glasser
Finance Director

City of Martinez Key Personnel

June 30, 2018

City Council

Rob Schroder, Mayor

Lara DeLaney, Vice Mayor

Debbie McKillop, Councilmember

Noralea Gipner, Councilmember

Mark Ross, Councilmember

Council Appointees

Brad Kilger, City Manager

Manjit Sappal, Chief of Police

Elected Officials

Richard Hernandez, City Clerk

Carolyn Robinson, City Treasurer

City Staff

Anne Cardwell, Assistant City Manager

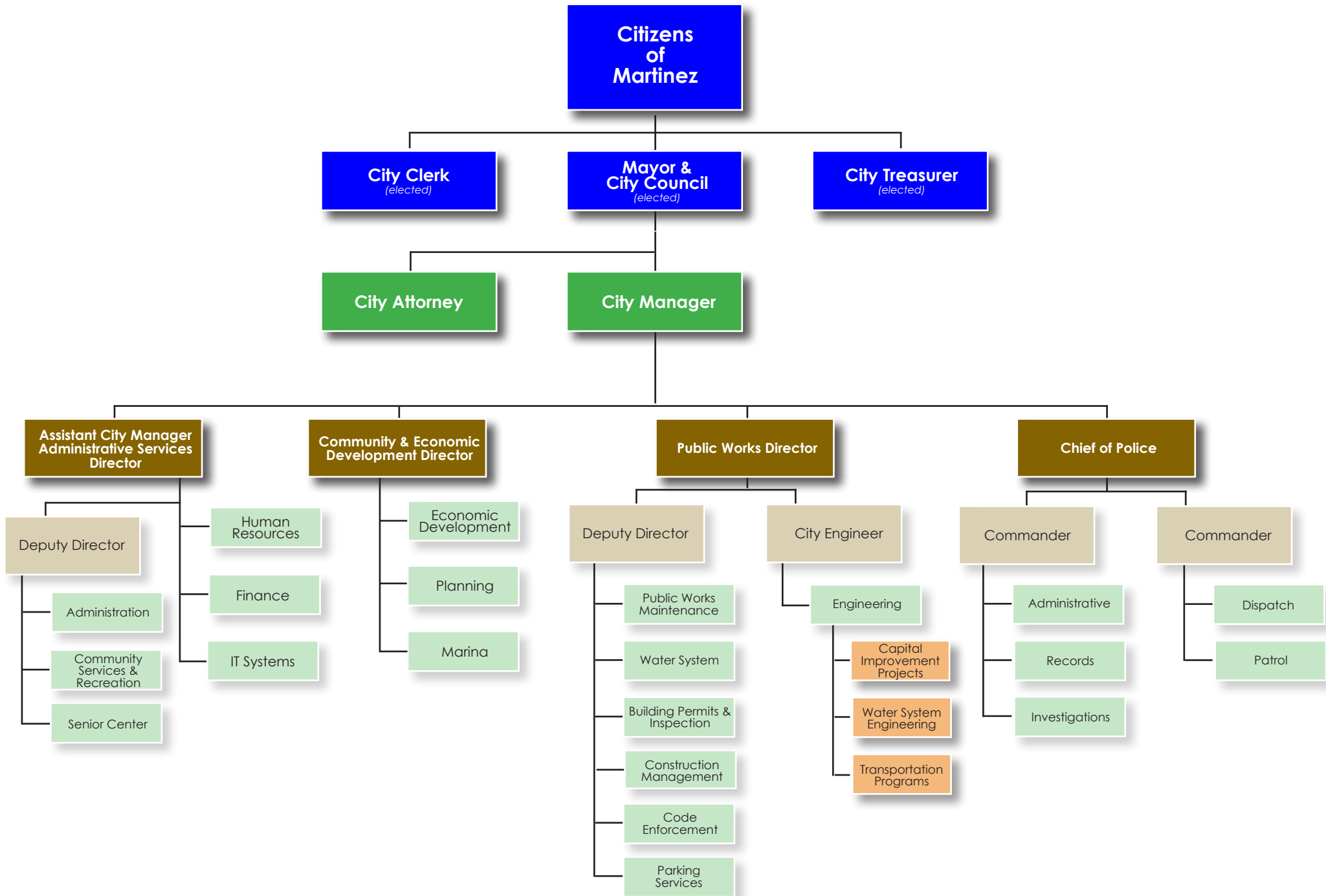
Mike Chandler, Deputy Director of Administrative Services

Christina Ratcliffe, Community and Economic Development Director

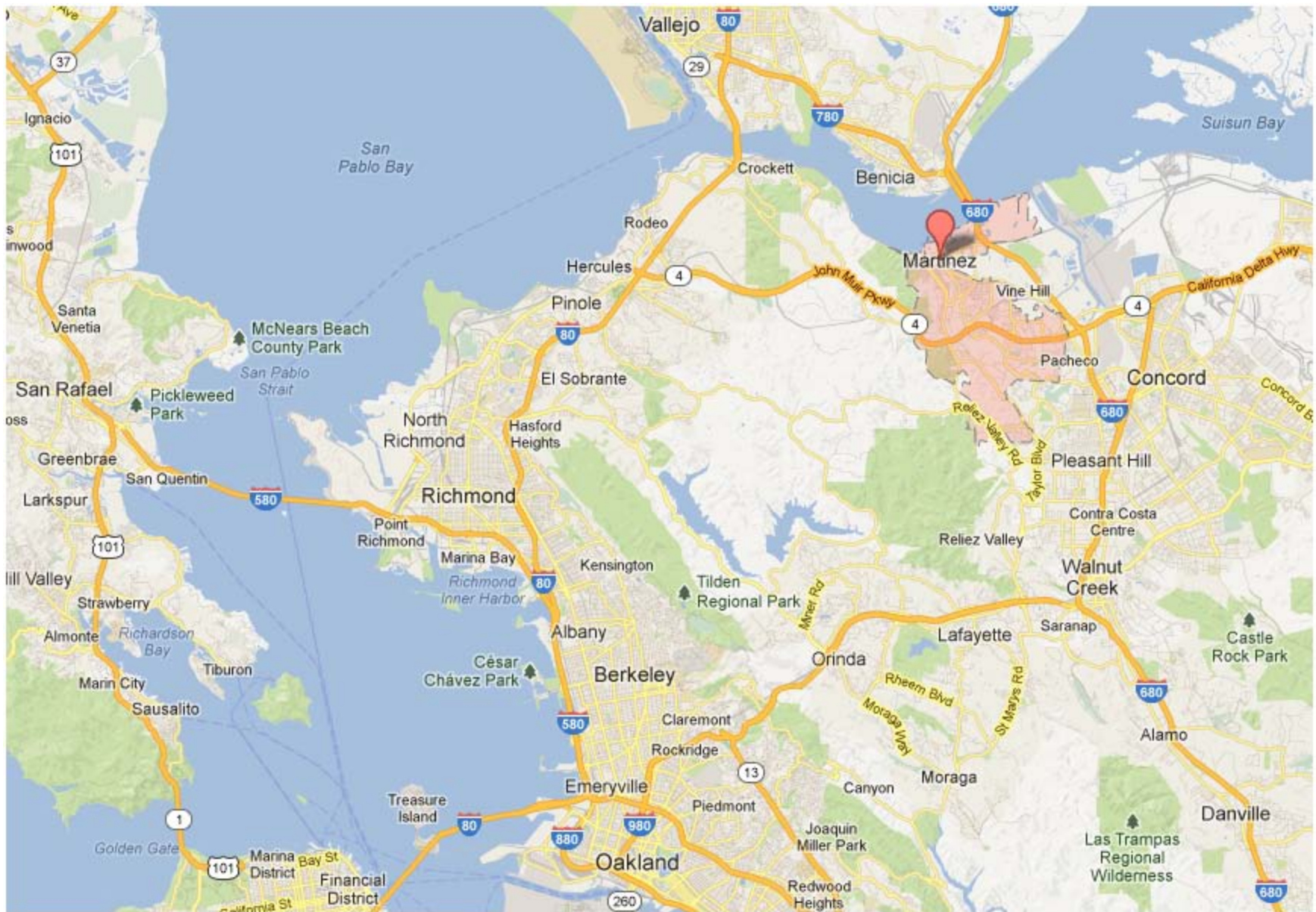
Dave Scola, Public Works Director

Tim Tucker, City Engineer

David Glasser, Finance Director



AREA MAP





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Martinez
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the City Council
City of Martinez, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martinez, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphases of Matters

Going Concern over Marina

The accompanying financial statements have been prepared assuming the City's Marina will continue as a going concern. As discussed in Note 10E to the financial statements, the City's Marina Services Enterprise Fund has an accumulated net deficit of \$3,221,294 as of June 30, 2018 made up primarily of State loans which the City has not had sufficient operating revenues to pay. During the fiscal year ended June 30, 2018, the City did not pay the principal portion due on the State loans that are recorded in the Marina Services Enterprise Fund as discussed in Note 8. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 10E. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018, and required a prior period adjustment to the financial statements and required the restatement of net position as discussed in Note 10F.

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
January 9, 2019

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MANAGEMENT’S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Martinez’s financial performance provides an overview of the City’s financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying transmittal letter, the Basic Financial Statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

City-wide Activities:

- The assets and deferred outflows of resources of the City of Martinez exceeded its liabilities and deferred inflows of resources at the close of June 30, 2018 by \$76,326,123. Of this amount \$37,646,556 is Governmental Activities and \$38,679,567 is Business-type Activities.
- As of the close of the fiscal year, the City’s governmental funds reported combined ending fund balances of \$30,373,741, a decrease of \$405,268 in comparison with the prior year. Of this amount, the unassigned fund balance was \$8,151,134, which is available for discretionary spending.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$8,156,998, or 36% of general fund expenditures. This includes \$1,600,000 set aside for contingencies.
- The City of Martinez’s total debt increased by \$2,108,250 during the fiscal year to \$25,870,000 for Governmental Activities and \$10,390,854 for Business-type Activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s basic financial statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Basic Financial Statements. The two sets of financial statements provide two different views of the City’s financial activities and financial position both long term and short term.

Government-Wide Financial Statements: The Government-Wide Financial Statements are designed to provide the reader with a broader, long term view of the City’s activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City in its entirety, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City’s revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of the City’s programs. All the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- *Governmental Activities*—All of the City’s basic services are considered to be governmental activities, including general government; community and economic development; public safety; public works; recreation, parks, and community services; public improvements; building inspection and code enforcement; planning and zoning; and general administration services. These services are supported by general City revenues such as taxes, and by specific program revenues such as mitigation/impact fees.

- *Business-type Activities*—The City’s three enterprise activities, Parking Services, Water System, and Marina Services, are reported here. Unlike governmental services, these services are supported through user fees based on the amount of the service they use.

The Statement of Net Position and the Statement of Activities report information about the City as a whole. In addition, these two statements report the City’s net position and changes for the year. Over time, increases or decreases in the City’s net position are one indicator of whether its financial health is improving or deteriorating.

Fund 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. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it’s meeting legal responsibilities for using certain grants and other money.

The City’s fund financial statements are divided into three categories; Governmental Funds, Proprietary Funds and Fiduciary Funds. The Governmental Fund financials are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The Proprietary Fund financials are prepared using the economic resources measurement focus and the accrual basis of accounting. The Fiduciary Funds include agency funds, which are custodial in nature and do not involve a measurement of operational results, and trust funds which, in addition to being custodial in nature, include operational activities. Only trust funds include a Statement of Changes in Net Position.

The Fund Financial Statements provide detailed information about each of the City’s most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major Funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City’s activities.

- *Governmental Funds* – Most of the City’s basic services are reported in Governmental Funds, which focus on how much money flows into and out of those funds and the balances left at year-end that are available for spending. The Governmental Fund statements provide a detailed, short term view of the City’s general government operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The fund financial statements, of governmental funds measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets, long-term debt and other long-term obligation amounts. The City’s Governmental Funds are comprised of the General Fund, Measure H Fund and Capital Improvements Fund, which are considered Major Funds. Non-Major Funds consist of Gas Tax, NPDES Stormwater, Measure J, COPS Grant, Housing In-lieu Fund, PEG Access, Recycling, Debt Service, Alhambra Creek Improvements and Lighting & Landscape.

- *Proprietary Funds* – When the City charges customers for services it provides, whether to outside customers or other units of the City, these monies are generally reported in Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial Statements. The City uses three enterprise funds to account for Water System, Marina Services and Parking Services. *Internal Service funds* are used to report activities which provide supplies and services for the City’s other programs and activities. The City uses internal service funds to account for its fleet of vehicles and for its management information systems. Since the City’s Internal Service Funds are proprietary funds used by the City to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide Financial Statements and any related profits or losses are returned to the activities that created them, along with any residual net assets of the Internal Service Funds. Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis and as in the past, include all their assets and liabilities, current and long-term.
- *Fiduciary Funds* - The City is the agent for two assessment districts, the Alhambra Creek Special Assessment District, which is responsible for holding amounts collected from property owners that await transfer to the District’s bond trustees and the Sanitation District #6 which accounts for the operations and maintenance of the treatment facility in the Stonehurst Subdivision. The City is also an agent for certain community organizations, for which it collects and disburses cash and maintains separate cash accounts. The City’s fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Agency Funds Statement of Changes in Assets and Liabilities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its own operations.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major Funds that are Special Revenue Funds.

Notes to the Basic Financial Statement: The Notes to the Basic Financial Statements provide additional information that is essential to gain a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic Financial Statements can be found on pages 35 – 74 of this report. Note 10E on page 59 provides information about the Marina Services Enterprise Fund’s ability to continue as a going concern. Note 11 on pages 60 – 66 provides the City’s progress in funding of its obligation to provide pension benefits to its employees.

Supplemental Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information that combines statements referred to earlier in connection with non-major governmental funds, internal service funds and agency funds. Supplemental information is presented after the notes and can be found on pages 81 to 95.

Statistical Section: This section 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position for the City increased \$9,910,522 in 2018 to \$76,326,123 due mainly to increases in Other Post-Employment Benefit (OPEB) cost – see Note 12. The annual change comes from the change in net position as recorded in the Statement of Activities which flows through the Statement of Net Position. Governmental Activities are shown in Tables 1 and 2. Business-type Activities is shown in Tables 3 and 4.

Net investment of capital assets, net of related debt of \$12,081,086 represents the City's investment in capital assets net of amounts borrowed to finance that investment. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources which are subject to external restrictions on how they may be used. This restricted amount totaled \$17,131,769 at June 30, 2018. The remaining balance of unrestricted net position is normally the part of net position that may be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. At June 30, 2018, the unrestricted net position was a negative \$21,931,362.

	Governmental Activities		Business Type Activities		Totals
	2018	2017	2018	2017	2018
Cash and investments	\$29,288,487	\$31,189,471	\$11,812,364	\$13,518,900	\$41,100,851
Other Assets	7,045,917	7,723,702	1,668,757	1,630,793	8,714,674
Capital Assets	72,468,967	63,349,620	40,951,494	38,273,192	113,420,461
Total Assets	108,803,371	102,262,793	54,432,615	53,422,885	163,235,986
Deferred outflow of resources	11,578,377	9,598,136	918,667	644,033	12,497,044
Long-term debt outstanding	25,780,000	22,820,000	10,390,854	11,332,604	36,170,854
Net Pension Liability	38,237,090	34,067,910	2,752,018	2,340,258	40,989,108
Other Liabilities	3,576,854	4,035,653	2,287,947	1,490,588	5,864,801
Total Liabilities	79,172,321	60,923,563	16,349,486	15,163,450	95,521,807
Deferred inflow of resources	3,562,871	3,328,895	322,229	275,294	3,885,100
Net Position:					
Net Investment in capital assets	50,565,076	44,405,729	30,560,640	26,940,588	81,125,716
Restricted	15,835,853	10,960,360	1,295,916	1,469,604	17,131,769
Unrestricted	(28,754,373)	(7,757,618)	6,823,011	10,217,982	(21,931,362)
Total Net Position	\$37,646,556	\$47,608,471	\$38,679,567	\$38,628,174	\$76,326,123

Governmental activities – The Governmental activities decreased the City’s net position by \$9,961,915 to \$37,646,556 at June 30, 2018. Below are the changes in net position:

Table 1	Governmental Activities	
	2018	2017
Expenses		
General government	\$1,593,240	\$1,918,245
Administrative services	2,164,798	1,809,388
Public works	4,749,605	4,472,196
Community & economic dev	8,798,044	6,747,138
Police	14,558,166	11,369,234
Interest on long-term debt	827,503	1,121,663
Total expenses	32,691,356	27,437,864
Revenues		
Program revenues:		
Charges for services	2,381,570	2,228,156
Operating grants & contributions	2,964,531	2,593,652
Capital grants & contributions	6,205,765	3,992,910
Total program revenues	11,551,866	8,814,718
General revenues:		
Property tax	8,574,093	8,212,232
Sales tax	7,846,172	4,728,669
VLF Property tax swap	3,255,258	3,099,796
Other taxes	809,753	1,261,367
Franchise Fees	746,434	1,734,239
Business License	1,772,088	738,306
Intergovernmental	84,475	78,469
Investment earnings	365,718	188,096
Miscellaneous	215,172	231,033
General revenues	23,669,163	20,272,207
Total revenues	35,221,029	29,086,925
Change in net position before transfers	2,529,673	1,649,061
Transfers	(381,780)	(155,218)
Change in net position	\$2,147,893	\$1,493,843
Total Net Position	\$37,646,556	\$47,608,471

The cost of all Governmental activities was \$32,691,356 in Fiscal Year 2018. A portion of the cost for these activities was paid either by those who directly benefited from the programs, by other governments and organizations that subsidized certain programs with operating grants and contributions, or capital grants and contributions. Overall, the City’s Governmental activities program revenues during the year were \$11,551,866.

Program revenues totaled \$11,551,866 or 47% of total revenues for Fiscal Year 2018, an increase of \$3,762,802 from 2017. The increase is mainly attributed to additional revenue from Capital grants and contributions in 2018. The City's program revenues include developer fees, plan check fees, building inspections, traffic fines, recreation fees, police fees, grants, assessment revenues, and other charges for services. Program revenues are categorized in three groups: Charges for Services of \$2,381,570 which are intended to help cover the expenses incurred in providing a variety of City services; Operating Contributions and Grants of \$2,964,531, which is attributable to special revenue funds such as Gas Tax, Measure J and police services; and Capital grants and contributions of \$6,205,765 which includes federal, state and local funding.

General revenues are not allocable to programs but are used to pay for the net cost of government services. General revenues totaled \$23,669,163 or 49% of total revenues, an increase of approximately \$3.4 million from Fiscal Year 2017. Table 1 shows that \$20,485,276 or 87% of general revenues came from taxes, and the balance of \$3,183,887, or 13%, came from intergovernmental, investment earnings and miscellaneous. Net Transfers out totaled \$381,780 and were from the General Fund to the Water System and Marina.

Net expense is defined as total program costs less program revenues generated by those specific activities. In the City's case, program revenues of \$11,551,866 reduced the total expenses of \$32,691,356 by 35.34% to \$21,139,490. It is clear in that the City's program revenues do not approach the cost of program expenses. This shows how dependent the City is on taxes to pay for City services. Table 2 below is the net expense by department.

Table 2	Net (Expense) Revenue and Changes in Net Position	
	2018	2017
Governmental Activities:		
General government	(\$1,553,936)	(\$3,577,522)
Administrative services	(2,070,516)	(1,550,795)
Public works	(3,728,948)	(3,179,305)
Community & Economic Development	1,429,020	144,597
Police	(13,361,953)	(9,338,458)
Interest on long term debt	(827,503)	(1,121,663)
Total Governmental Activities	(\$20,113,836)	(\$18,623,146)

Business-type activities – The Business-type activities increased the City’s net position by \$51,393 in 2018 to \$38,679,567. Below are the changes in net position:

Table 3	Business-type Activities	
	2018	2017
Expenses		
Water System	\$11,476,441	\$10,672,421
Marina Services	971,672	394,355
Parking Services	375,223	249,305
Total expenses	12,823,336	11,316,081
Revenues		
Program revenues:		
Charges for services	13,044,545	11,833,809
Operating grants & contributions	-	-
Capital grants & contributions	377	-
Total program revenues	13,044,922	11,833,809
General revenues:		
Taxes	74,191	68,869
Investment earnings	148,648	89,682
General revenues	222,839	158,551
Total revenues	13,267,761	11,992,360
Change in net position before transfers	444,425	676,279
Transfers	381,780	155,218
Change in net position	\$826,205	\$831,497
Total Net Position	\$38,679,567	\$38,628,174

The cost of business-type activities was \$12,823,336 in Fiscal Year 2018. A portion of the cost for these activities was paid either by those who directly benefited from the programs, by other governments and organizations that subsidized certain programs with operating grants and contributions, or capital grants and contributions. Overall, the City’s Business-type activities program revenues during the year were \$13,044,922. General revenues are not allocable to programs but are used to pay for the net cost of services. General revenues totaled \$222,839 which came from taxes, investment earnings and miscellaneous revenues.

Net expense is defined as total program costs less program revenues generated by those specific activities. In the City’s case, program revenues of \$13,044,922 expenses of \$12,823,336 for net revenues as shown in the Statement of Activities of \$221,586. The detail is broken out below in Table 4.

Table 4	Net (Expense) Revenue and Changes in Net Position	
	2018	2017
Business-type Activities:		
Water System	\$802,812.00	\$466,585.00
Marina Services	(734,240)	(206,426)
Parking Services	153,014	257,569
Total Business-type Activities	\$221,586.00	\$517,728.00

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

At June 30, 2018, the City's governmental funds reported a combined fund balance of \$30,373,741, an increase of \$405,268 compared to the prior year. The General Fund decreased by \$1,380,770, Measure H decreased by \$439,018, Capital Improvements decreased by \$1,483,713, and Other Governmental Funds increased by \$3,776,232.

ANALYSES OF MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund revenues totaled \$22,232,253 in Fiscal Year 2017-18 an increase of \$21,630 from Fiscal Year 2016-17. The increase is comprised of the following: decrease of \$109,276 in Taxes, an increase of \$29,241 in Licenses, an increase of Permits and Fees; an increase of \$5,834 in Intergovernmental; an increase of \$114,028 in Charges for Services; a decrease of \$55,200 in Fines and Forfeits; an increase of \$67,430 in Use of Money and Property; and a decrease of \$30,427 in Miscellaneous. Taxes (property tax and sales tax revenue) totaling \$19,192,904 represented approximately 86% of total General Fund revenues. Other revenue sources comprising the remaining 14% of General Fund revenues included Licenses, Permits and Fees; Intergovernmental; Charges for Services; Fines and Forfeits; Use of Money and Property; and Miscellaneous.

General Fund expenditures totaled \$22,825,243, an increase of \$1,716,238 from Fiscal Year 2017. Transfers out of the General Fund increased by \$928,912 in Fiscal Year 2017 to \$1,241,980. This increase was mostly attributable to a transfer of \$815,000 to the Marina Fund in 2018 and a transfer of \$400,000 for capital improvements.

Final expenditures for the General Fund at year-end were \$70,560 below budget. Budget amendments and supplemental appropriations of \$689,403 were made during the year for unanticipated expenditures after adoption of the original budget. Total final budget appropriations came in at \$22,895,803.

At the end of Fiscal Year 2018 the fund balance for the City's General Fund was \$12,370,012, a decrease of \$1,380,770 over the prior year. The General Fund fund balance was comprised of the following: \$11,451 of nonspendable; \$4,201,563 assigned; and \$8,156,998 unassigned, of which \$1,600,000 was designated by Council for contingencies due to unforeseen occurrences referred to in Note 10D of the financial statements. Only the unassigned \$8,156,998 portion represents available liquid resources.

Measure H Fund

The Measure H Fund accounts for the bond proceeds of \$30,000,000 received in 2009, 2012 and 2017. The Fund is budgeted on a project length basis and therefore is not comparable on an annual basis.

The revenue received was investment earnings of \$89,577. The expenses of \$5,670,595 were based on project activity for the reconstruction of parks.

Capital Improvement Fund

The Capital Improvement Fund accounts for major City capital improvement projects. The Fund is budgeted on a project length basis and therefore is not comparable on an annual basis. Revenue received in Fiscal Year 2018, including net transfers, was \$5,922,576. This is an increase of \$3,038,724 over the prior year. Expenditures, including net transfers increased by \$4,187,432 from 2017 to a total of \$7,406,289.

Other Governmental Funds

These funds are not presented separately in the Basic Financial Statements, but are individually presented as Supplemental Information.

Internal Service Funds

Internal Service Funds are proprietary funds used by the City to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's Internal Service Funds are the Equipment Replacement Fund and the Management Information System (MIS) Fund.

- *Equipment Replacement Fund*—Costs for the Equipment Replacement Fund are considered to be “direct costs” that are readily identifiable with a specific service. The Equipment Replacement Fund charges departments' equipment and vehicle rates based on value and overall maintenance costs.
- *Management Information System (MIS) Fund*—Costs for the MIS Fund are considered to be “indirect costs” that are not easily associated with a specific service. These costs are distributed by both number of computer workstations and overall use of technology.

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis, are financed or recovered primarily through user charges. Enterprise Funds are also used when the City has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's Enterprise Funds include Parking Services, Water System, and Marina Services and are described as follows:

- *Parking Services*—Parking Services Fund revenue is generated from parking meters and parking permits in the downtown area. Operating revenues increased by \$20,986 in Fiscal Year 2018 to a total of \$527,860. Operating expenses increased by \$129,526 to \$376,728. Non-operating revenues increased by \$16,252 to \$81,524. Net position increased by \$232,656 to \$2,978,620. The Parking Services Fund's fiscal year end unrestricted Net Position was \$1,937,432.
- *Water System*—The Water System Fund is financed and operated in a manner similar to that of a private business. Net position of the Water System Fund increased \$490,655 in Fiscal Year 2018. Overall operating revenues increased by \$1,140,247, and operating expenses increased by \$832,225. Non-operating expenses increased by \$22,711, and non-operating revenues increased by \$42,817 in interest income. As of June 30, 2018, the Fund's Net Position was \$38,937,027 with \$32,888,329 invested in capital assets net of related debt, and \$1,174,168 restricted for debt service. Only \$4,874,530 of the Fund's Net Position was unrestricted at the close of Fiscal Year 2018. Due to the age of the Water System infrastructure, significant investments will be required in future years to update water lines and equipment and enhance security.
- *Marina Services*—Marina Fund revenues include lease payments, charges for services, property taxes, and government grants for capital improvement projects. Operating revenues increased by \$49,503, and non-operating revenues increased \$5,596. Operating expenses increased \$579,696 in 2018 and non-operating expenses decreased by \$84,091. The Funds Net Position increased by \$104,584 at June 30, 2018. The Marina has \$4,687,442 in outstanding loans to the State of California; approximately half of that amount is the total of four individual loans with an annual debt repayment schedule. The City had been making this full payment until a recent declining trend in marina revenues that has hindered the City's ability to pay the principal and interest. The City is currently paying on the interest portion on these loans. The other half of the deficit to the State originates back to the 1964 Agreement with the State to construct the marina. The City is working with the State on alternatives to pay back all of the loans.

CAPITAL ASSETS

GASB 34 requires the City to record all of its capital assets, including infrastructure, which was not recorded in prior years. Infrastructure includes roads, bridges, traffic signals and similar assets used by the entire population. Beginning in Fiscal Year 2003, in accordance with GASB 34, the City began recording the cost of all its infrastructure assets and computing the amount of accumulated depreciation for these assets based on their original acquisition dates.

At the end of Fiscal 2018, Governmental Activities and Business-type Activities had invested in a broad range of capital assets, net of depreciation, in the amounts of \$72,468,967 and \$40,951,494, respectively, as shown below.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its life so that an allocable portion of the cost of the asset is borne by all users. Additional information on capital assets and depreciation may be found in Note 6.

	June 30, 2018	June 30, 2017
Governmental Activities		
Land	\$16,055,115.00	\$16,055,115.00
Construction in progress	12,970,774.00	1,709,854.00
Building and improvements	12,517,249.00	12,517,249.00
Equipment	9,081,802.00	8,360,796.00
Infrastructure	72,940,893.00	72,500,361.00
Less accumulated depreciation	(51,096,866.00)	(47,793,755.00)
Totals	\$72,468,967.00	\$63,349,620.00
Business-Type Activities		
Land	\$1,957,444.00	\$1,917,444.00
Construction in progress	5,413,121.00	9,077,733.00
Building and improvements	30,675,459.00	22,465,858.00
Equipment	2,716,229.00	2,487,247.00
Infrastructure	89,697,172.00	89,375,680.00
Less accumulated depreciation	(89,507,931.00)	(87,050,770.00)
Totals	\$40,951,494.00	\$38,273,192.00

DEBT ADMINISTRATION

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs (other than those paid for by the Enterprise Funds). In May 2009, April 2012, and November 2017, the City issued General Obligation Bonds totaling \$30,000,000 to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements.

The Water Fund has two outstanding debt issues. In 2003 and 2012, the City issued Certificates of Participation (COPs) in the amounts of \$5,595,000 and \$8,025,000, respectively. COP proceeds were used to finance improvements to the Water Plant.

Each of the City's debt issues are discussed in detail in Notes 7 and 8 to the financial statements. The table below represents the City's outstanding debt at June 30, 2018.

	June 30, 2018	June 30, 2017
Governmental Activity Debt		
<i>General Long-Term Debt</i>		
General Obligation Bonds	\$25,780,000	\$22,820,000
Total Governmental Activity Debt	\$25,780,000	\$22,820,000
Business-Type Activity Debt		
<i>Water Fund Long-Term Debt</i>		
2003 Refinancing Project	\$435,000	\$865,000
2012 Refinancing Project	5,255,000	5,745,000
Unamortized Bond Premium	401,630	448,880
Total Water Fund Debt	\$6,091,630	\$7,058,880
<i>Marina Long-term Debt</i>		
1964 State of California	\$2,715,515	\$2,690,015
1973 State of California	251,136	251,136
1978 State of California	131,574	131,574
1982 State of California	323,922	323,922
1985 State of California	877,077	877,077
Total Marina Fund Debt	\$4,299,224	\$4,273,724
Total Business-Type Activity Debt	\$10,390,854	\$11,332,604

SPECIAL ASSESSMENT DISTRICT DEBT

Alhambra Creek Assessment District, a special assessment district in the City, has also issued debt to finance infrastructure and facilities construction for that district. No special assessment debt was issued in Fiscal Year 2018.

At June 30, 2018 a total of \$185,000 in special assessment district debt was outstanding. This debt is secured only by assessments on the real property in the district issuing the debt and is not the City's responsibility, although the City does act as the district's agent in the collection and remittance of assessments.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Administrative Services Department, at 525 Henrietta Street, Martinez, CA 94553.

CITY OF MARTINEZ

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 prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

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 assets, by subtracting total liabilities from total assets.

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

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds primarily, 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 format of 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 Martinez Public Improvement Corporation. The Corporation is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the activities of the Corporation.

CITY OF MARTINEZ
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3):			
Available for operations	\$23,247,875	\$10,638,196	\$33,886,071
Restricted	6,040,612	1,174,168	7,214,780
Receivables (net of allowance for uncollectible):			
Accounts and other	590,445	1,660,263	2,250,708
Intergovernmental	5,843,803		5,843,803
Interest	157,816		157,816
Loans receivable (Note 5)	431,690	22,920	454,610
Internal balances (Note 4C)	14,426	(14,426)	
Prepays (Note 1I)	7,737		7,737
Capital assets (Note 6):			
Land and construction in progress	29,025,889	7,370,565	36,396,454
Depreciable assets, net	43,443,078	33,580,929	77,024,007
Total Assets	108,803,371	54,432,615	163,235,986
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 1I)	11,578,377	918,667	12,497,044
Total Deferred Outflows of Resources	11,578,377	918,667	12,497,044
LIABILITIES			
Accounts payable	2,767,958	1,605,261	4,373,219
Accrued wages and benefits	654,622	86,469	741,091
Deposits	1,068,704	104,569	1,173,273
Unearned revenue	27,924	284,359	312,283
Claims payable due within one year (Note 14)	80,000		80,000
Accrued interest		80,025	80,025
Accrued compensated absences (Note 1H):			
Due within one year	1,092,000	160,000	1,252,000
Due in more than one year	697,147	55,837	752,984
Long-term debt (Notes 7 and 8):			
Due within one year	485,000	1,281,626	1,766,626
Due in more than one year	25,295,000	9,109,228	34,404,228
Net pension liability (Note 1I)	38,237,090	2,752,018	40,989,108
Net OPEB liability (Note 12)	8,766,876	830,094	9,596,970
Total Liabilities	79,172,321	16,349,486	95,521,807
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 1I)	3,254,658	279,755	3,534,413
Related to OPEB (Note 12)	308,213	42,474	350,687
Total Deferred Inflows of Resources	3,562,871	322,229	3,885,100
NET POSITION (Note 10)			
Net investment in capital assets	50,565,076	30,560,640	81,125,716
Restricted for:			
Capital projects	12,679,338	121,748	12,801,086
Debt service	2,006,648	1,174,168	3,180,816
Special revenue projects	1,149,867		1,149,867
Total Restricted Net Position	15,835,853	1,295,916	17,131,769
Unrestricted	(28,754,373)	6,823,011	(21,931,362)
Total Net Position	\$37,646,556	\$38,679,567	\$76,326,123

See accompanying notes to financial statements

CITY OF MARTINEZ
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$1,593,240	\$39,304			(\$1,553,936)		(\$1,553,936)
Administrative services	2,164,798	18,890	\$19,834	\$55,558	(2,070,516)		(2,070,516)
Public works	4,749,605	1,020,657			(3,728,948)		(3,728,948)
Community & economic development	8,798,044	886,456	2,264,747	6,050,207	403,366		403,366
Police	14,558,166	416,263	679,950	100,000	(13,361,953)		(13,361,953)
Interest on long-term debt	827,503				(827,503)		(827,503)
Total Governmental Activities	32,691,356	2,381,570	2,964,531	6,205,765	(21,139,490)		(21,139,490)
Business-type Activities:							
Water system	11,476,441	12,279,253				\$802,812	802,812
Marina services	971,672	237,432				(734,240)	(734,240)
Parking services	375,223	527,860		377		153,014	153,014
Total Business-type Activities	12,823,336	13,044,545		377		221,586	221,586
Total	\$45,514,692	\$15,426,115	\$2,964,531	\$6,206,142	(21,139,490)	221,586	(20,917,904)
General revenues:							
Property taxes					8,574,093		8,574,093
Sales taxes					7,846,172		7,846,172
VLF Property Tax Swap					3,255,258		3,255,258
Other taxes					809,753	74,191	883,944
Franchise fees					1,772,088		1,772,088
Business licenses					746,434		746,434
Intergovernmental, unrestricted					84,475		84,475
Investment earnings					365,718	148,648	514,366
Miscellaneous					215,172		215,172
Transfers (Note 4C)					(381,780)	381,780	
Total general revenues and transfers					23,287,383	604,619	23,892,002
Change in Net Position					2,147,893	826,205	2,974,098
Net Position-Beginning, as restated (Note 10F)					35,498,663	37,853,362	73,352,025
Net Position-Ending					\$37,646,556	\$38,679,567	\$76,326,123

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

MAJOR GOVERNMENTAL FUNDS

The funds described below are determined to be major funds by the City in Fiscal 2018. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of the City which are not accounted for in another fund.

MEASURE H CAPITAL PROJECT FUND

Accounts for the \$25,000,000 of General Obligation Bonds issued in May 2009 and March 2012. These funds are to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements.

CAPITAL IMPROVEMENTS

To account for the expenditures spent and revenue received for various capital projects within the City.

MEASURE H DEBT SERVICE FUND

Accounts for funds to be used for payment of debt service on the General Obligation Bonds. Debt service is funded from *ad valorem* taxes levied upon all property within the City subject to taxation.

CITY OF MARTINEZ
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General	Measure H Capital Project	Capital Improvements	Measure H Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 3):						
Available for operations	\$12,682,009		\$2,462,624		\$7,114,618	\$22,259,251
Restricted		\$4,033,964		\$2,006,648		6,040,612
Receivables:						
Accounts	575,952				14,493	590,445
Intergovernmental	972,960		3,479,941		1,390,902	5,843,803
Interest	125,055	32,761				157,816
Loans receivable (Note 5)	169,680		262,010			431,690
Prepays (Note 11)	5,586				2,151	7,737
Advance to other funds (Note 14)	5,865					5,865
Total Assets	<u>\$14,537,107</u>	<u>\$4,066,725</u>	<u>\$6,204,575</u>	<u>\$2,006,648</u>	<u>\$8,522,164</u>	<u>\$35,337,219</u>
LIABILITIES						
Accounts payable	\$660,638	\$552,243	\$1,437,563		\$62,553	\$2,712,997
Accrued wages and benefits	626,276				4,157	630,433
Claims payable (Note 14)	80,000					80,000
Deposits	603,777	251,291	190,290		23,346	1,068,704
Unearned revenue	26,724		1,200			27,924
Advance from other funds (Note 4B)					5,865	5,865
Total Liabilities	<u>1,997,415</u>	<u>803,534</u>	<u>1,629,053</u>		<u>95,921</u>	<u>4,525,923</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - receivables					5,865	5,865
Unavailable revenue - loans receivable (Note 5)	169,680		262,010			431,690
Total Deferred Inflows of Resources	<u>169,680</u>		<u>262,010</u>		<u>5,865</u>	<u>437,555</u>
FUND BALANCES						
Fund balance (Note 10):						
Nonspendable	11,451					11,451
Restricted		1,776,185	3,626,778	\$2,006,648	8,426,242	15,835,853
Assigned	4,201,563	1,487,006	686,734			6,375,303
Unassigned	8,156,998				(5,864)	8,151,134
Total Fund Balances	<u>12,370,012</u>	<u>3,263,191</u>	<u>4,313,512</u>	<u>2,006,648</u>	<u>8,420,378</u>	<u>30,373,741</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$14,537,107</u>	<u>\$4,066,725</u>	<u>\$6,204,575</u>	<u>\$2,006,648</u>	<u>\$8,522,164</u>	<u>\$35,337,219</u>

See accompanying notes to financial statements

CITY OF MARTINEZ
Reconciliation of the
GOVERNMENTAL FUNDS -- FUND BALANCES
with the
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances reported on the governmental funds balance sheet	\$30,373,741
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Amounts reported for Governmental Activities in the Statement of Net Position
are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	70,655,878
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ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal Service Funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	988,624
Internal balances	14,426
Capital assets	1,813,089
Accounts payable	(54,961)
Accrued liabilities	(24,189)
Accrued compensated absences	(87,122)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	437,555
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LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Net OPEB liability and related deferred inflows	(9,075,089)
Compensated absences	(1,702,025)
Long-term debt	(25,780,000)
Net pension liability and related deferred inflows/outflows	(29,913,371)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$37,646,556</u></u>
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See accompanying notes to financial statements

CITY OF MARTINEZ
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General	Measure H Capital Project	Capital Improvements	Measure H Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$19,192,904			\$2,109,777	\$3,810,893	\$25,113,574
Special assessments					123,901	123,901
Licenses, permits, and fees	734,751		\$95,812		93	830,656
Intergovernmental	614,116		3,788,086		2,590,285	6,992,487
Charges for services	973,952				5,714	979,666
Fines and forfeits	290,798				55,061	345,859
Use of money and property	306,007	\$89,577	14,981	21,727	50,803	483,095
Miscellaneous	119,725		19,697		198,226	337,648
Total Revenues	22,232,253	89,577	3,918,576	2,131,504	6,834,976	35,206,886
EXPENDITURES						
Current:						
General government	1,588,134					1,588,134
Nondepartmental services	1,669,156					1,669,156
Administrative services	1,529,167				132,524	1,661,691
Public works	4,165,292					4,165,292
Community & economic development	2,863,802	46,110	1,346,440		1,252,181	5,508,533
Police	11,009,692				7,059	11,016,751
Debt service (Note 7):						
Principal				13,975,000		13,975,000
Interest and fiscal charges				827,503		827,503
Capital outlay		5,336,003	6,298,331		118,980	11,753,314
Total Expenditures	22,825,243	5,382,113	7,644,771	14,802,503	1,510,744	52,165,374
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(592,990)	(5,292,536)	(3,726,195)	(12,670,999)	5,324,232	(16,958,488)
OTHER FINANCING SOURCES (USES)						
Bond proceeds (Note 7)		5,000,000		11,935,000		16,935,000
Transfers in (Note 4A)	454,200	142,000	2,004,000		63,700	2,663,900
Transfers (out) (Note 4A)	(1,241,980)		(50,000)	(142,000)	(1,611,700)	(3,045,680)
Total Other Financing Sources (Uses)	(787,780)	5,142,000	1,954,000	11,793,000	(1,548,000)	16,553,220
NET CHANGE IN FUND BALANCES	(1,380,770)	(150,536)	(1,772,195)	(877,999)	3,776,232	(405,268)
BEGINNING FUND BALANCES	13,750,782	3,413,727	6,085,707	2,884,647	4,644,146	30,779,009
ENDING FUND BALANCES	\$12,370,012	\$3,263,191	\$4,313,512	\$2,006,648	\$8,420,378	\$30,373,741

See accompanying notes to financial statements

CITY OF MARTINEZ
Reconciliation of the
NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the Change in
GOVERNMENTAL NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$405,268)

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balances	11,881,497
Loss on retirements are therefore deducted from the fund balance	(18,722)
Depreciation expense is deducted from the fund balance	
(Depreciation expense is net of internal service fund depreciation of \$289,161 which has already been allocated to serviced funds)	(3,223,960)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	
Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Proceeds from issuance of debt principal is deducted from fund balance	(16,935,000)
Repayment of debt principal is added back to fund balances	13,975,000

PENSION TRANSACTIONS

Payment of pension plan contributions is an expenditure in the governmental funds, but in the Statement of Net Position the payment is a deferred outflow.	(2,114,702)
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ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Net OPEB liability	(1,029,964)
Deferred revenue	(11,976)
Compensated absences	(54,554)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, and maintenance to individual funds.	
The portion of the net revenue of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Position - All Internal Service Funds	85,542

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$2,147,893
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See accompanying notes to financial statements

CITY OF MARTINEZ
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	\$19,250,300	\$18,942,300	\$19,192,904	\$250,604
Licenses, permits, and fees	680,600	680,600	734,751	54,151
Intergovernmental	632,100	632,100	614,116	(17,984)
Charges for services	826,700	991,137	973,952	(17,185)
Fines and forfeits	435,000	350,000	290,798	(59,202)
Use of money and property	169,300	240,000	306,007	66,007
Miscellaneous	85,000	95,000	119,725	24,725
Total Revenues	22,079,000	21,931,137	22,232,253	301,116
EXPENDITURES:				
Current:				
General government	1,167,200	1,462,925	1,588,134	(125,209)
Nondepartmental services	1,663,400	1,663,400	1,669,156	(5,756)
Administrative services	1,511,800	1,544,438	1,529,167	15,271
Public works	3,989,000	4,027,224	4,165,292	(138,068)
Community & economic development	2,850,600	3,060,787	2,863,802	196,985
Police	11,024,400	11,137,029	11,009,692	127,337
Total Expenditures	22,206,400	22,895,803	22,825,243	70,560
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(127,400)	(964,666)	(592,990)	371,676
OTHER FINANCING SOURCES (USES)				
Transfers (in) (Note 4A)	454,200	454,200	454,200	
Transfers (out) (Note 4A)	(849,000)	(1,249,000)	(1,241,980)	7,020
Total other financing sources (uses)	(394,800)	(794,800)	(787,780)	7,020
NET CHANGE IN FUND BALANCE	(\$522,200)	(\$1,759,466)	(1,380,770)	\$378,696
BEGINNING FUND BALANCE			13,750,782	
ENDING FUND BALANCE			\$12,370,012	

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

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.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified all of its Proprietary Funds as major funds in Fiscal 2018.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds.

WATER SYSTEM FUND

To account for the funds received from customers receiving water service provided by the City and the related expenditures for administration, system improvements, maintenance and repairs, and debt service for bond issues related to the provision of water to the customers.

MARINA SERVICES FUND

To account for the activities related to the operations at the municipal marina.

PARKING SERVICES FUND

To account for the activities related to the various parking lots in the downtown area, including parking meters and shuttle services.

CITY OF MARTINEZ
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water System	Marina Services	Parking Services	Totals	
ASSETS					
Current Assets:					
Cash and investments (Note 3):					
Available for operations	\$7,949,095	\$405,831	\$2,283,270	\$10,638,196	\$988,624
Restricted	1,174,168			1,174,168	
Receivables:					
Accounts and other	1,649,881	7,862	2,520	1,660,263	
Total Current Assets	10,773,144	413,693	2,285,790	13,472,627	988,624
Capital Assets (Note 6):					
Buildings	25,574,981	308,594		25,883,575	
Improvements	4,546,762		245,122	4,791,884	
Equipment	1,725,911		990,318	2,716,229	5,100,954
Infrastructure	89,352,180		344,992	89,697,172	
Less: Accumulated depreciation	(88,263,908)	(308,594)	(935,429)	(89,507,931)	(3,374,597)
Total depreciable capital assets, net	32,935,926		645,003	33,580,929	1,726,357
Land	630,912	1,052,455	274,077	1,957,444	
Construction in progress	5,413,121			5,413,121	86,732
Net Capital Assets	38,979,959	1,052,455	919,080	40,951,494	1,813,089
Other Non-Current Assets:					
Loan receivable (Note 5)	22,920			22,920	
Total Non-Current Assets	39,002,879	1,052,455	919,080	40,974,414	1,813,089
Total Assets	49,776,023	1,466,148	3,204,870	54,447,041	2,801,713
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions (Note 11)	918,667			918,667	
LIABILITIES					
Current liabilities:					
Accounts payable	1,388,906	3,467	212,888	1,605,261	54,961
Accrued liabilities	86,469			86,469	24,189
Unearned revenue		284,359		284,359	
Deposits	43,980	46,867	13,722	104,569	
Accrued interest	26,500	53,525		80,025	
Current portion of compensated absences (Note 1H)	160,000			160,000	
Current portion of long-term debt (Note 7)	940,000			940,000	
Current portion of loans payable (Note 8)		341,626		341,626	
Total Current Liabilities	2,645,855	729,844	226,610	3,602,309	79,150
Noncurrent Liabilities:					
Accrued compensated absences (Note 1H)	55,837			55,837	87,122
Long-term debt (Note 7)	5,151,630			5,151,630	
Loans payable (Note 8)		3,957,598		3,957,598	
Net pension liability (Note 11)	2,752,018			2,752,018	
Net OPEB liability (Note 12)	830,094			830,094	
Total Liabilities	11,435,434	4,687,442	226,610	16,349,486	166,272
DEFERRED INFLOWS OF RESOURCES					
Related to pensions (Note 11)	279,755			279,755	
Related to OPEB (Note 12)	42,474			42,474	
Total Deferred Inflows of Resources	322,229			322,229	
NET POSITION (Note 10)					
Net investment in capital assets	32,888,329	(3,246,769)	919,080	30,560,640	1,813,089
Restricted for debt service	1,174,168			1,174,168	
Restricted for capital projects			121,748	121,748	
Unrestricted	4,874,530	25,475	1,937,432	6,837,437	822,352
Total Net Position (Deficit)	\$38,937,027	(\$3,221,294)	\$2,978,260	38,693,993	\$2,635,441
Some amounts reported for <i>business-type activities</i> in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.				(14,426)	
Net position business-type activities				\$38,679,567	

See accompanying notes to financial statements

CITY OF MARTINEZ
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water System	Marina Services	Parking Services	Totals	
OPERATING REVENUES					
Water sales	\$11,841,458			\$11,841,458	
Rents and leases	85,730	\$201,636		287,366	
Charges for services	325,051		\$527,860	852,911	\$1,703,585
Other fees	800			800	
Other revenue	26,214	35,796		62,010	35,031
Total Operating Revenues	12,279,253	237,432	527,860	13,044,545	1,738,616
OPERATING EXPENSES					
Filtration plant	5,165,410			5,165,410	
Maintenance, repairs, and distribution	1,931,709	855,402		2,787,111	1,391,722
Administration	1,827,105	26,472	289,066	2,142,643	
Depreciation (Note 6)	2,363,792	5,707	87,662	2,457,161	289,161
Total Operating Expenses	11,288,016	887,581	376,728	12,552,325	1,680,883
Operating Income (Loss)	991,237	(650,149)	151,132	492,220	57,733
NONOPERATING REVENUES (EXPENSES)					
Interest income	117,868	6,364	24,416	148,648	12,319
Interest (expense)	(185,230)	(84,091)		(269,321)	
Gain on disposal of equipment					13,800
Intergovernmental			377	377	
Taxes		17,460	56,731	74,191	
Total Nonoperating Revenues (Expenses)	(67,362)	(60,267)	81,524	(46,105)	26,119
Income (loss) before contributions and transfers	923,875	(710,416)	232,656	446,115	83,852
Transfers in (Note 4A)	20,980	815,000		835,980	
Transfers out (Note 4A)	(454,200)			(454,200)	
Change in net position	490,655	104,584	232,656	827,895	83,852
BEGINNING NET POSITION (DEFICIT), as restated (Note 10F)	38,446,372	(3,325,878)	2,745,604		2,551,589
ENDING NET POSITION (DEFICIT)	\$38,937,027	(\$3,221,294)	\$2,978,260		\$2,635,441

Some amounts reported for *business-type activities* in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds service

(1,690)

Change in net position of business-type activities

\$826,205

See accompanying notes to financial statements

CITY OF MARTINEZ
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water System	Marina Services	Parking Services	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$12,210,404	\$222,490	\$529,720	\$12,962,614	\$1,738,616
Payments to suppliers	(8,242,799)	(912,274)	(83,703)	(9,238,776)	(889,773)
Payments to and on behalf of employees	287,404			287,404	(463,044)
Rent and lease payments received	26,214			26,214	
Cash Flows from Operating Activities	4,281,223	(689,784)	446,017	4,037,456	385,799
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Taxes received		17,460	56,731	74,191	
Intergovernmental receipts			377	377	
Transfers in	20,980	815,000		835,980	
Transfers out	(454,200)			(454,200)	
Cash Flows from Noncapital Financing Activities	(433,220)	832,460	57,108	456,348	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(4,829,911)		(305,552)	(5,135,463)	(769,693)
Proceeds from sale of equipment					13,800
Principal payments on capital debt	(920,000)			(920,000)	
Interest paid	(227,680)	(65,844)		(293,524)	
Cash Flows from Capital and Related Financing Activities	(5,977,591)	(65,844)	(305,552)	(6,348,987)	(755,893)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	117,868	6,364	24,415	148,647	12,319
Cash Flows from Investing Activities	117,868	6,364	24,415	148,647	12,319
Net Cash Flows	(2,011,720)	83,196	221,988	(1,706,536)	(357,775)
Cash and investments at beginning of period	11,134,983	322,635	2,061,282	13,518,900	1,346,399
Cash and investments at end of period	\$9,123,263	\$405,831	\$2,283,270	\$11,812,364	\$988,624
Reconciliation of Operating Income to Cash Flows from Operating Activities:					
Operating income (loss)	\$991,237	(\$650,149)	\$151,132	\$492,220	\$57,733
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	2,363,792	5,707	87,662	2,457,161	289,161
Change in assets and liabilities:					
Accounts receivable	(40,001)	(6,578)	1,860	(44,719)	
Prepays		5,065		5,065	413
Accounts payable and other liabilities	854,788	(35,465)	202,188	1,021,511	13,689
Deposits	(173,363)		3,175	(170,188)	
Accrued vacation and other fringe benefits	48,061			48,061	14,095
Accrued wages and benefits					10,708
Unearned revenue	(2,634)	(8,364)		(10,998)	
Retirement system	239,343			239,343	
Cash Flows from Operating Activities	\$4,281,223	(\$689,784)	\$446,017	\$4,037,456	\$385,799
NONCASH TRANSACTIONS:					
Amortization of bond discount	\$47,250			\$47,250	

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City as an agent or in trust for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements but are presented in separate Fiduciary Fund financial statements.

CITY OF MARTINEZ
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Restricted cash and investments (Note 3)	<u>\$81,389</u>	<u>\$357,586</u>
Total Assets	<u><u>\$81,389</u></u>	<u><u>\$357,586</u></u>
LIABILITIES		
Accounts payable	\$176	\$10,339
Due to bondholders		219,668
Due to members	<u> </u>	<u>127,579</u>
Total Liabilities	<u>176</u>	<u><u>\$357,586</u></u>
NET POSITION		
Restricted for private purpose activities	<u>81,213</u>	
Total Net Position	<u><u>\$81,213</u></u>	

See accompanying notes to financial statements

CITY OF MARTINEZ
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Trust Fund</u>
ADDITIONS:	
Donations	\$5,927
Interest	<u>804</u>
Total Additions	<u>6,731</u>
DEDUCTIONS:	
Supplies	2,990
Beneficiary payments	1,553
Improvements	<u>3,588</u>
Total Deductions	<u>8,131</u>
CHANGE IN NET POSITION	(1,400)
NET POSITION, BEGINNING OF YEAR	<u>82,613</u>
NET POSITION, END OF YEAR	<u><u>\$81,213</u></u>

See accompanying notes to financial statements

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CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Martinez was incorporated in 1876 and operates under an elected Mayor/Council form of government. The City's major operations include public safety, water system, marina, parking, community and economic development, public works, recreation and parks, and general administrative services.

A. *Reporting Entity*

The financial statements of the City of Martinez include the financial activities of the City as well as the Martinez Public Improvement Corporation which is controlled by and dependent on the City. While the Corporation is a separate legal entity, the City Council serves in a separate session as its governing body and the financial activities of the Corporation are integral to those of the City. Corporation financial activities have been aggregated and merged (termed "blended") with those of the City in the accompanying financial statements.

The **Martinez Public Improvement Corporation** is a nonprofit public benefit corporation organized and existing under the Nonprofit Public Benefit Corporation Law of the State of California. The purposes for which the Corporation was formed include, among others, (i) rendering financial assistance to the City by financing, refinancing, acquiring, constructing, improving, leasing and selling of buildings, building improvements, equipment, electrical, water, sewer, road and other public improvements, lands and any other real or personal property for the benefits of the City and surrounding areas; (ii) acquiring by lease, purchase or otherwise, real or personal property or any interest therein; and (iii) constructing, reconstructing, modifying, adding to, improving or otherwise acquiring or equipping buildings, structures or improvements and (by sale, lease, sublease, leaseback, gift or otherwise) making any part or all of any such real or personal property available to or for the benefit of the residents of the City. The Corporation is reported as part of the City's operations because of its purpose to provide financing for the City.

The **Pleasant Hill/Martinez Joint Facilities Agency** is established for the purpose of providing cost-effective services for employees participating in the Miscellaneous CALPERS retirement plan. The Agency is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Agency.

Separate financial statements for the Martinez Public Improvement Corporation and the Pleasant Hill/Martinez Joint Facilities Agency are not issued.

B. *Basis of Presentation*

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These Standards require that the financial statements described below be presented:

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for interfund services provided and used. 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 and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including 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 nonmajor 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.

C. Major 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. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. 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 MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

General Fund - The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of the City which are not accounted for in another fund.

Measure H Capital Project Fund - Accounts for the \$25,000,000 of General Obligation Bonds issued in May 2009 and March 2012. These funds are to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements.

Capital Improvements Fund - To account for the funds spent and revenue received for various capital projects within the City.

Measure H Debt Service Fund – To account for funds used for payment of debt service on the General Obligation Bonds. Debt Service is funded from *ad valorem* taxes levied upon all property within the City subject to taxation.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

Water System Fund - To account for the funds received from customers receiving water service provided by the City and the related expenditures for administration, system improvements, maintenance and repairs, and debt service for bond issues related to the provision of water to the customers.

Marina Services Fund - To account for the activities related to the operations at the municipal marina.

Parking Services Fund - To account for the activities related to the various parking lots in the downtown area, including parking meters and shuttle services.

The City also reports the following fund types:

Internal Service Funds - To account for equipment replacement and management information Services; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds - The City maintains two types of Fiduciary Funds - Trust Funds and Agency Funds. Trust Funds account for activities of individual private trust funds for the benefit of the Alhambra Cemetery. Agency Funds are used to account for assets held by the City as an agent for the Alhambra Creek Assessment District, Sanitation District #6, and the Senior Center Club. The financial activities of these funds are excluded from the Government-wide financial statement but are presented in separate Fiduciary Fund financial statements.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property, sales and franchise taxes, certain other intergovernmental revenues, special assessments and interest revenue. Fines, permits, licenses and charges for services are not susceptible to accrual because they are not measurable until received in cash.

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.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheets reports a separate section for deferred outflows of resources. This separate net statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has pension-related deferred outflows of resources arising from certain changes in the collective net pension liability.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position and balance sheets report a separate section for deferred inflows of resources. The separate financial element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has three types of items, which qualify under this category. Under the modified accrual basis of accounting, the item *unavailable revenue*, is reported in the governmental funds balance sheet. Reporting unavailable revenues from miscellaneous receivables and loans receivable. The City has other types of deferred inflow which arises only under the full accrual basis of accounting, related to pension and other post-employment benefits (OPEB).

F. *Revenue Recognition for Water System Enterprise Fund*

Revenues are recognized based on cycle billings rendered to customers. Revenues for services provided but not billed at the end of the year are accrued.

G. *Property Taxes and Special Assessment Revenue*

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes for the City; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

H. *Compensated Absences*

Compensated absences comprise unused vacation leave, vested sick pay and other employee benefits which are accrued as earned. The City’s liability for compensated absences is recorded in various governmental funds or proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be permanently liquidated are recorded as fund liabilities; the remaining portion is recorded in the Statement of Net Position.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences during the fiscal year ended June 30, 2018 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$1,720,498	\$167,776	\$1,888,274
Additions	1,092,080	223,622	1,315,702
Payments	(1,023,431)	(175,561)	(1,198,992)
Ending Balance	<u>\$1,789,147</u>	<u>\$215,837</u>	<u>\$2,004,984</u>
Current Portion	<u>\$1,092,000</u>	<u>\$160,000</u>	<u>\$1,252,000</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

I. *Prepays*

Prepaid items in governmental funds are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

J. *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.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Use of Estimates

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Accounting

The City adopts a biennial budget for the General Fund and all Special Revenue Funds with the exception of the Housing In-Lieu Special Revenue Fund, on or before June 30 of even-numbered years for each of the ensuing two fiscal years. The operating budget takes the form of a two-year budget, which is adopted in its entirety by the City Council by resolution. This budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year-end. Capital Projects Funds are budgeted on a project-length basis.

On or before the last day in March of each year, all departments of the City submit requests for appropriations to the City Manager so that a budget may be prepared on or by May 1, for even-numbered years. The proposed budget is presented to the City's Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. The City Manager is authorized to make revisions up to 1% of any single budget year. Council approval is required for additional appropriation from fund balances or new revenue sources. The legal level of budgetary control is at the departmental level.

The budget is revised in February to take into consideration information available during the fiscal year. Budget amounts presented in the accompanying financial statements reflect original appropriations modified by supplemental amendments discussed above which were not material.

B. Expenditures in Excess of Appropriations

The City had the following funds with expenditures in excess of appropriations for the year ended June 30, 2018:

Fund Name	Amount
<i>General Fund</i>	
General government	\$125,209
Non-departmental services	5,756
Public works	138,068
<i>NPDES Stormwater Special Revenue Fund</i>	
Capital outlay	6,026
<i>COPS Grant Special Revenue Fund</i>	
Capital outlay	12,954

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except Cash and Investments held by Trustees, so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

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

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

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

B. Classification

Cash and investments 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.

Cash and investments available for operations	\$34,425,844
Restricted cash and investments	<u>6,675,007</u>
Total Primary Government Cash and Investments	41,100,851
Restricted cash and investments in Fiduciary Funds (separate statement)	<u>438,975</u>
Total Cash and Investments	<u><u>\$41,539,826</u></u>

Cash and Investments Available for Operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

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, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed
Shares of Beneficial Interest	N/A	Top rating category	20%
California Local Agency Investment Fund (LAIF Pool)	N/A	N/A	No limit
U.S. Treasury Obligations	5 Years	N/A	No limit
U.S. Agency Securities and U.S. Government Sponsored Enterprise Obligations	5 Years	N/A	No limit
Commercial Paper	270 Days	Top rating category	25%
Banker's Acceptances	180 days	A-1	30%
Medium Term Corporate Notes	5 Years	A	30%
Negotiable Certificates of Deposit	5 Years	A	30%

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 reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. 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
Repurchase Agreements	30 days	A
U.S. Treasury Obligations	N/A	N/A
U.S. Agency Securities and U.S. Government Sponsored Enterprise	N/A	N/A
State Obligations	N/A	Second Highest Rating Category
Commercial Paper	270 days	A-1
Negotiable Certificates of Deposit	N/A	N/A
Time Certificates of Deposit	N/A	N/A
Shares of Beneficial Interest	N/A	Top Rating Category
Money Market Funds	N/A	Aam
Bankers' Acceptances	360 days	A-1
California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A
California Asset Management Program (CAMP)	Upon Demand	N/A

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk and Credit 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 generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) 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:

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	\$32,203,994	\$32,203,994
Money Market Funds	566,238	566,238
CalTrust Short Term Fund	1,038,165	1,038,165
Total Investments	\$33,808,397	33,808,397
Cash in banks and on hand		7,731,429
Total Cash and Investments		\$41,539,826

F. Investment Pools

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 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. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, United States Treasury Notes and Bills, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2018, these investments matured in an average of 193 days.

The City is a participant in the Short-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. At June 30, 2018, the Short-Term Fund investments matured in an average of 347 days, and was rated AAf by Standard and Poor's investment Rating System.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2018:

	Level 2	Total
Investments by Fair Value Level:		
CalTrust Short Term Fund	\$1,038,165	\$1,038,165
	<u>\$1,038,165</u>	<u>1,038,165</u>
Investments Measured at Amortized Cost:		
Money Market Funds		566,238
Investments Exempt from Fair Value Hierarchy:		
California Local Agency Investment Fund		<u>32,203,994</u>
Total Investments		<u><u>\$33,808,397</u></u>

CalTrust is classified in Level 2 of the fair value hierarchy and is valued based on the fair value factor provided by the Treasurer of the State of California which is calculated as fair value divided by the amortized cost of the investment pools. Fair value is defined as the quoted market value on the last trading day of the period.

Money market mutual funds are available for withdrawal on demand and at June 30, 2018, have an average maturity of 20 days. Money market mutual funds were rated AAAM by Standard and Poor's investment rating system.

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2018 were as follows:

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Water System Enterprise Fund	\$454,200 A
Measure H Capital Projects Fund	Measure H Debt Service Fund	142,000 B
Capital Improvements Fund	General Fund	400,000 B
	Non-Major Funds	1,604,000 B
Non-Major Funds	General Fund	6,000 A
	Capital Improvements Fund	50,000 A
	Non-Major Funds	7,700 A
Water System Enterprise Fund	General Fund	20,980 A
Marina Services Enterprise Fund	General Fund	815,000 B
	Total Interfund Transfers	<u>\$3,499,880</u>
A: To fund operations		
B: To fund capital projects		

B. Long-Term Interfund Advance

In fiscal year 2007-08 the General Fund made an advance to the Alhambra Creek Improvements Capital Projects Fund in the amount of \$65,828, to be repaid in annual installments. The advance bears no interest. As of June 30, 2018, the balance was \$5,865.

C. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5 – LOAN RECEIVABLE AND UNAVAILABLE REVENUE

A. Riverhouse Associates

The City made a loan to Riverhouse Associates, which was used to rehabilitate the Riverhouse Hotel, an affordable housing project. The loan is secured by a deed of trust, bears no interest, and is due August 14, 2021. As of June 30, 2018, the loan balances of \$262,010 and \$22,920 were owed to the Capital Improvements Capital Projects Fund and Water System Enterprise Fund, respectively.

B. Martinez Unified School District

The Martinez Unified School District (MUSD) requested financial assistance from the City in order to retain seventeen teachers. Without the City's assistance the District would not have been able to maintain class room sizes in the District's Kindergarten – 3rd grades. On July 27, 2009, the City advanced the MUSD \$500,000 and entered into a fee service and joint facility use agreement for the repayment. The fee service portion of the agreement was terminated on July 27, 2014. The joint facility use portion of the agreement was for the District to maintain \$150,000 in the District's Capital Improvement Fund for the purpose of a joint facility, which terminates July 27, 2019. At the end of the fee service agreement the District opted to increase the restricted capital funds for the remaining 5 years of the agreement to the actual amount owed. As of June 30, 2018, the balance owed to the City was \$169,680.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The City capitalizes all capital assets with values greater than \$5,000.

Capital assets with limited useful lives are depreciated over their estimated useful lives. 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. 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 City has assigned the useful lives listed below to capital assets:

Buildings	30-50 years
Improvements	30-50 years
Equipment	3-25 years
Infrastructure	10-67 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

A. Capital Asset Additions and Retirements

Capital asset activities for the year ended June 30, 2018 comprise:

	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Governmental activities					
Capital assets not being depreciated:					
Land	\$16,055,115				\$16,055,115
Construction in progress	1,709,854	\$11,601,984	(\$18,721)	(\$322,343)	12,970,774
Total capital assets not being depreciated	17,764,969	11,601,984	(18,721)	(322,343)	29,025,889
Capital assets being depreciated:					
Buildings	12,480,329				12,480,329
Improvements	36,920				36,920
Equipment	8,360,796	931,016	(210,010)		9,081,802
Infrastructure	72,500,361	118,189		322,343	72,940,893
Total capital assets being depreciated	93,378,406	1,049,205	(210,010)	322,343	94,539,944
Less accumulated depreciation:					
Buildings	(4,184,286)	(365,371)			(4,549,657)
Improvements	(9,846)	(1,231)			(11,077)
Equipment	(5,680,188)	(563,961)	210,010		(6,034,139)
Infrastructure	(37,919,435)	(2,582,558)			(40,501,993)
Total accumulated depreciation	(47,793,755)	(3,513,121)	210,010		(51,096,866)
Net capital assets being depreciated	45,584,651	(2,463,916)		322,343	43,443,078
Governmental activities capital assets, net	\$63,349,620	\$9,138,068	(\$18,721)		\$72,468,967

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2017	Additions	Transfers	Balance at June 30, 2018
<i>Business-type activities</i>				
Capital assets, not being depreciated:				
Land	\$1,917,444	\$40,000		\$1,957,444
Construction in progress	9,077,733	4,622,999	(\$8,287,611)	5,413,121
Total capital assets not being depreciated	10,995,177	4,662,999	(8,287,611)	7,370,565
Capital assets being depreciated:				
Buildings	21,020,849	154,256	4,708,470	25,883,575
Improvements	1,445,009	36,029	3,310,846	4,791,884
Equipment	2,487,247	218,016	10,966	2,716,229
Infrastructure	89,375,680	64,163	257,329	89,697,172
Net capital assets being depreciated	114,328,785	472,464	8,287,611	123,088,860
Less accumulated depreciation for:				
Buildings	(11,251,623)	(704,384)		(11,956,007)
Improvements	(357,193)	(148,672)		(505,865)
Equipment	(2,097,217)	(153,597)		(2,250,814)
Infrastructure	(73,344,737)	(1,450,508)		(74,795,245)
Total accumulated depreciation	(87,050,770)	(2,457,161)		(89,507,931)
Net capital assets being depreciated	27,278,015	(1,984,697)	8,287,611	33,580,929
Business-type activities capital assets, net	\$38,273,192	\$2,678,302		\$40,951,494

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

C. 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	\$23,439
Public Works	32,009
Community & Economic Development	3,005,199
Police	163,313
Capital assets held by the City's Internal Service Funds	289,161
Total Governmental Activities	\$3,513,121

Business-Type Activities

Water System	\$2,363,792
Marina Services	5,707
Parking Services	87,662
Total Business-Type Activities	\$2,457,161

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – 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.

Proprietary Fund (Enterprise and Internal Service) long-term debt is accounted for in the proprietary funds which will repay the debt because these funds are accounted for on the full-accrual basis in a similar manner to commercial operations.

For governmental fund types, bond premiums and discounts are recognized during the period of issuance. For proprietary fund types, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. All issuance costs are expensed when incurred. Bonds payable are reported net of the applicable bond premium or discount.

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

A. Current Year Transactions and Balances

	Original Issue Amount	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018	Current Portion
Governmental Activity Debt						
<i>General Long-Term Debt</i>						
2009 General Obligation Bonds						
Election of 2008, Series A,						
4-5.875%, due 2/1/39	\$15,000,000	\$13,940,000		\$13,940,000		
2012 General Obligation Bonds						
Election of 2008, Series B,						
4-5%, due 8/1/42	10,000,000	8,880,000		35,000	\$8,845,000	\$40,000
2008 General Obligation Bonds						
Series C,						
3.125-5%, due on 8/1/2042	5,000,000		\$5,000,000		5,000,000	75,000
2017 General Obligation						
Refunding Bonds						
3.125-5%, due on 8/1/2042	11,935,000		11,935,000		11,935,000	370,000
Total governmental activity debt		<u>\$22,820,000</u>	<u>\$16,935,000</u>	<u>\$13,975,000</u>	<u>\$25,780,000</u>	<u>\$485,000</u>

	Original Issue Amount	Balance at June 30, 2017	Retirements	Balance at June 30, 2018	Current Portion
Business-Type Activity Debt					
<i>Enterprise Long-Term Debt</i>					
Certificates of Participation:					
2003 Refinancing Project,					
2-4%, due 12/1/18	\$5,595,000	\$865,000	\$430,000	\$435,000	\$435,000
2012 Refunding Water System					
Improvements, 2-4%, due 12/1/26	8,025,000	5,745,000	490,000	5,255,000	505,000
Plus: Unamortized Bond Premium	696,947	448,880	47,250	401,630	
Total business-type activity debt		<u>\$7,058,880</u>	<u>\$967,250</u>	<u>\$6,091,630</u>	<u>\$940,000</u>

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – LONG TERM DEBT (Continued)

B. General Obligation Bonds

On May 5, 2009, the City issued the General Obligation Election of 2008, Series A Bonds (GOs) in the amount of \$15,000,000 to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements in the City. On November 14, 2017, proceeds from the 2008 General Obligation Bonds, Series C, and proceeds from the 2017 General Obligation Refunding Bonds (described below) were used to refund \$13,940,000 of the Series A Bonds.

On March 21, 2012, the City issued the General Obligation Election of 2008, Series B Bonds (GOs) in the amount of \$10,000,000 to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements in the City.

The Bonds were authorized at an election held on November 4, 2008, at which more than two-thirds of the voters approved. Interest payments on the GOs are due semi-annually on February 1 and August 1, and annual principal payments are due on February or August 1. Interest and principal payments are payable from ad valorem property taxes levied by the City and collected by the County. The total principal and interest remaining to be paid on the bonds is \$25,780,000 and \$16,205,008, respectively. Principal and interest paid for the current fiscal year and total Ad Valorem Property Tax Revenues were \$15,091,262, and \$2,109,777, respectively.

On November 14, 2017, the City issued concurrently 2017 General Obligation Refunding Bonds of \$11,935,000 and General Obligation Bonds, Election of 2008, Series C, in the amount of \$5,000,000 for a combined total of \$16,935,000. The proceeds from the 2017 General Obligation Refunding Bonds were used to refinance the City's outstanding General Obligation Bonds, Election 2008, Series A. The Series C Bonds were issued to finance the costs of acquiring and constructing parks, library improvements, pools and safety improvements in the City and pay the costs related to issuing the Series C bonds. Both sets of the bonds bear interest ranging from 3.125% - 5.0%, and have annual principal and interest payments due August 1.

C. 2003 Certificates of Participation

On March 11, 2003, the City issued Certificates of Participation (COPs) in the amount of \$5,595,000 to refund and retire the outstanding 1992 City Hall Refurbishment Certificates of Participation and the 1993 Water System Improvements Certificates of Participation. Interest payments on the 2003 COPs are due semi-annually on June 1 and December 1, and annual principal payments are due on December 1. Interest and principal payments are payable from lease revenues on City Hall and net revenues derived from the operation of the water system. The City's total principal and interest remaining to be paid on the business type portion of the bonds is \$443,700. The City's principal and interest paid for the current year was \$455,731.

D. 2012 Certificates of Participation

On February 10, 2012, the City issued Certificates of Participation (COPs) in the amount of \$8,025,000 to refund the 1999 COPs and for the acquisition and construction of improvements to the City's existing water system. Semi-annual interest payments are due on June 1 and December 1 of each year, and annual principal payments are due on December 1. Interest and principal payments are payable from net revenues derived from the operation of the water system. The total principal and interest remaining to be paid on the certificates is \$6,230,000. The City's principal and interest paid for the current fiscal year is \$691,950.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – LONG TERM DEBT (Continued)

The City has pledged future Water System Enterprise Fund revenues, net of specified operating expenses, to repay the installment agreement portion of the 2003 COPs and the 2012 Certificates of Participation through 2027. Annual principal and interest payments on the 2003 bonds are expected to require less than 12.71% percent and 1.29% percent of net water revenues. Annual principal and interest payments on the 2012 bonds are expected to require less than 14.55% percent and 6.63% percent of net water revenues. The Water Fund's total principal and interest remaining to be paid on the bonds is \$6,673,700.

The Water Fund's principal and interest paid for the current year and total customer net revenues were \$1,147,681, and \$3,680,985 respectively. The City is in compliance with its debt covenants for the year ended June 30, 2018.

E. Debt Service Requirements

Annual debt service requirements are shown below:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$485,000	\$812,216	\$940,000	\$195,725
2020	310,000	1,015,918	520,000	171,650
2021	350,000	1,000,718	535,000	155,825
2022	395,000	983,468	555,000	136,700
2023	445,000	964,068	580,000	114,000
2024 - 2028	3,100,000	4,431,590	2,560,000	209,800
2029 - 2033	4,880,000	3,505,890		
2034 - 2038	6,920,000	2,416,752		
2039 - 2043	8,895,000	1,074,388		
Total	<u>\$25,780,000</u>	<u>\$16,205,008</u>	5,690,000	<u>\$983,700</u>
Plus: Unamortized Bond Premium			<u>401,630</u>	
Gross Long-term Debt			<u>\$6,091,630</u>	

F. Authorized but Unissued Debt

The City has previously issued Water Revenue Bonds authorized by the electorate at a bond election held on June 7, 1966. Series A, B, and C Bonds in the amount of \$3,250,000 were previously issued and have been fully retired; \$1,400,000 remains authorized but unissued as of June 30, 2018.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – LONG TERM DEBT (Continued)

G. Debt Defeasances

In fiscal year 2018, the City defeased the 2009 General Obligation Bonds, Election of 2008, Series A, by placing the proceeds of the new bonds in separate irrevocable trust funds to provide for all future debt service payments on the old bonds or to call bonds, when economically beneficial. Accordingly, the trust account assets and the liability for the defeased bond is not included in the City's financial statements. The outstanding balance of the 2009 General Obligation Bonds at June 30, 2018 was \$13,830,000.

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA

At June 30, 2018, the Marina Services Fund owed \$4,299,224 in loans to the State. The City made an interest payment of \$60,776 to the Department of Boating and Waterways in fiscal year 2018 to cover current year interest accrued on the unpaid loan balances.

A. Current Year Transactions and Balances

	Original Issue Amount	Balance at June 30, 2017	Additions	Balance at June 30, 2018	Current Portion
Loan Payable - 1964	\$1,300,000	\$850,000		\$850,000	
Accrued interest		1,840,015	\$25,500	1,865,515	
Loan Payable - 1973	450,000	251,136		251,136	\$96,903
Loan Payable - 1978	175,000	131,574		131,574	39,296
Loan Payable - 1982	300,000	323,922		323,922	66,735
Loan Payable - 1984	770,425	877,077		877,077	138,692
Total Marina Loans		<u>\$4,273,724</u>	<u>\$25,500</u>	<u>\$4,299,224</u>	<u>\$341,626</u>

During fiscal year 2003, accrued interest was added to the outstanding principal for all the State loans with the exception of the 1964 agreement.

B. Loan Payable – 1964

In January of 1960, the City entered into an agreement with the State of California, whereby a loan of \$1,300,000 was granted to the City for the construction of a Marina. In October of 1964, a Memorandum of Agreement which superseded the 1960 loan agreement was entered into. At June 30, 2018, the amount payable to the State including interest amounted to \$2,715,515.

The agreement was modified in 1964 with the following conditions:

Net income from the operations of the Marina is distributable as follows:

- Pro rata reimbursement to contributors of initial development costs as described in the agreement.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA (Continued)

- 80% of the annual net income to the State, until the sum of \$1,300,000 is paid; the remaining 20% to be paid to the City.
- After the principal portion of the loan is repaid to the State, 80% of the annual net income shall be paid to the City; the remaining 20% shall be paid to the State until the State has been paid 3% interest per annum on the unpaid principal of the loan for each year starting with January 1, 1961. The agreement will terminate upon completion of the foregoing payments.

The loan payment date and maturity date of the loan is being negotiated between the City and the State.

C. *Loan Payable – 1973*

On December 20, 1973, the City entered into another agreement with the State of California, whereby a loan of \$450,000 was granted to the City to complete the Martinez Small Craft Harbor (MSCH). At June 30, 2018, the amount payable to the State was \$251,136. The terms are as follows:

- The loan is payable from the gross revenues from operations of the facilities located or erected within the MSCH Project, prior to any other expenditures from such revenues.
- Payments of principal and interest at 4.5% shall be payable in equal annual installments on August 1 of each year with a final payment due on August 1, 2026.
- Any retained earnings arising from the operation of the MSCH Project after deductions for repayments of the State loan, operating and maintenance expenses and reserve funds provided for by the State, shall be invested in reasonably liquid assets. No transfer of such funds, other than for advance repayment of the State loan, shall be made so long as any principal or interest remains unpaid.
- Whenever the retained earnings exceeds two years of MSCH Project operating and loan repayment expenses, such excess may be required by the State for advance repayment of the loan.

D. *Loan Payable – 1978*

On January 30, 1978, the City entered into another agreement with the State of California, whereby a loan of \$175,000 was granted to the City for construction of Marina Improvements. At June 30, 2018, the amount payable to the State was \$131,574. The terms are as follows:

- The loan is payable from the gross revenues from operation of the facilities located or erected within the Project Area.
- Payments of principal and interest at 4.5% in equal annual installments shall be payable on August 1 of each year with a final payment due August 1, 2029.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA (Continued)

E. Loan Payable – 1982

On November 1, 1982, the City entered into another agreement with the State of California, whereby a loan of \$300,000 was granted to the City for the construction of new berthings and improvements to the Marina. The loan was to be based on stages of completion. At June 30, 2018, the amount payable to the State was \$323,922. The loan terms are as follows:

- The loan is payable from the gross revenues originating from the operations of the Marina. These gross revenues constitute sole security for the loan.
- The loan shall bear compound interest at 4.5% per annum on the unpaid balance.
- Repayment of the loan shall be in equal annual installments on August 1 of each year with final payment due August 1, 2034.

F. Loan Payable – 1984

On January 14, 1984 the City entered into another agreement with the State of California, whereby a loan of \$770,425 was granted to the City for twelve capital improvement projects at the Marina. At June 30, 2018, the amount payable to the State was \$877,077. The loan terms are as follows:

- The loan is payable from the gross revenues from the operation of the facilities located within the project area.
- The loan shall bear compound interest at 4.5% per annum on the unpaid balance.
- Repayment of the loan shall be in equal annual installments on August 1 of each year with a final payment due on August 1, 2038.
- Berthing rates may not average less than \$3.75 per foot of boat or berth length and are subject to annual adjustments based on the consumer price index.
- A survey of berthing charges in the same market as the Marina shall be conducted on an annual basis.

G. Loan Repayment

The above loan agreements, except for the 1960 loan which has no specified repayment terms, require the Marina to remit annual debt service payments. The City failed to make the current year principal payment of \$53,090, in addition to the non-payment of principal in the prior fiscal years in the amount of \$233,059, the City has not made total principal payments in the amount of \$286,149 since August 1, 2012. The past due amounts have been included in the current portion of the loans payable. The State has assessed a late penalty fee of 5% of the unpaid balances. See discussion in Note 10E.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA (Continued)

On September 26, 2014, Senate Bill 1424 (SB1424) was approved by the Governor. SB1424 grants four parcels of land at the marina in the amount of \$1,019,923 to the City. In addition to the grant of lands and in recognition of the deteriorated condition of the City's marina, the City is able to defer its revenue sharing agreement with the State on an annual basis, until fiscal year 2021. This will make it possible for the City to retain the 10% payment to put towards corrective actions at the Marina.

H. Debt Service Requirements

For the Year Ending June 30	Principal	Interest
2019	\$341,626	\$58,389
2020	57,975	55,891
2021	60,584	53,282
2022	63,310	50,556
2023	66,159	47,707
2024 - 2028	354,821	222,981
2029 - 2033	303,639	116,249
2034 - 2038	281,243	48,260
2039	54,352	2,444
Total	1,583,709	\$655,759
Plus: Marina Loan 1964	850,000	
Plus: Accrued interest	1,865,515	
Total	\$4,299,224	

NOTE 9 – DEBT WITHOUT CITY COMMITMENT

A. Special Assessment Bonds

The Alhambra Creek Assessment District issued Assessment Bonds of 1999, but the City has no legal or moral liability with respect to the payment of this debt, which is secured only by assessments on the properties in this District. Therefore, this debt is not included as debt of the City. At June 30, 2018, the District's outstanding debt amounted to \$185,000.

B. Home Mortgage Revenue Bonds

Home mortgage revenue bonds have been issued to finance secured mortgage loans for low-income housing projects. The bonds do not constitute indebtedness to which the good faith and credit of the City is pledged. The City is not obligated to pay the principal, interest or other payments associated with the bonds. The payments on the bonds are payable solely from monies received from mortgage loans, security agreements or insurance. Accordingly, the bonds have not been recorded in the basic financial statements of the City. The total amount of mortgage revenue bonds outstanding as of June 30, 2018 was \$1,500,000.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – NET POSITION AND FUND BALANCES

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 are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include capital projects, debt service requirements, and special revenue programs restricted to special revenue purposes such as transportation grants and revenues, stormwater and COPs grants.

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

B. 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 in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires 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 to indicate items not available as spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

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

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources. As of June 30, 2018, the City does not have committed fund balance.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

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

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

Detailed classifications of the City's fund balances, as of June 30, 2018, are below:

Fund Balance Classifications	General Fund	Capital Project Funds		Measure H Debt Service Fund	Other Governmental Funds	Total
		Measure H	Capital Improvements			
Nonspendable:						
Advance to Other Funds	\$5,865					\$5,865
Prepays	5,586					5,586
Total Nonspendable Fund Balances	11,451					11,451
Restricted for:						
Debt Service				\$2,006,648		2,006,648
Park & Facilities Improvements		\$1,776,185				1,776,185
Street Improvements			\$2,339,066		\$6,583,171	8,922,237
Housing					360,637	360,637
Recycle					61,975	61,975
PEG Access					648,091	648,091
Lighting & Landscape					317,497	317,497
Traffic Mitigation			18,390			18,390
Park Impact			623,827			623,827
Child Care			4,417			4,417
Drainage			87,866			87,866
Cultural Facilities			478,107			478,107
Public Safety			75,105		454,871	529,976
Total Restricted Fund Balances		1,776,185	3,626,778	2,006,648	8,426,242	15,835,853
Assigned to:						
Pension Obligation	582,425					582,425
Improvements	2,952,230					2,952,230
Health Benefits	360,363					360,363
Encumbrances for Projects	204,459	1,487,006	686,734			2,378,199
Special Events	92,232					92,232
SB1186 - Disability Access	9,273					9,273
Seismic	581					581
Total Assigned Fund Balances	4,201,563	1,487,006	686,734			6,375,303
Unassigned:						
General Fund	8,156,998					8,156,998
Other Governmental Fund Deficit					(5,864)	(5,864)
Total Unassigned Fund Balances	8,156,998				(5,864)	8,151,134
Total Fund Balances	\$12,370,012	\$3,263,191	\$4,313,512	\$2,006,648	\$8,420,378	\$30,373,741

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

C. *Minimum Fund Balance Policies*

The City adopted a Fund Balance Reserve Policy with Resolution 110-15, which established minimum fund balance policies as well as four types of reserves to address unanticipated, one-time needs. The policy requires the City maintain a minimum of 20% unassigned fund balance based on operating expenditures. The City will maintain two assigned reserves and two unassigned-contingency reserves to address unforeseen emergencies or disasters, significant changes in economic environment, escalating employee benefit costs, and key infrastructure improvements. These include:

- Pension/OPEB Obligation Assigned Fund Balance Reserve: Funds designated to mitigate pension, insurance and retiree health benefits due to an extreme fluctuation in rates due to a specific cause.
- Infrastructure Assigned Fund Balance Reserve: Funds designated for infrastructure and deferred maintenance.
- Catastrophic Unassigned-contingency Fund Balance Reserve: Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, including natural disasters.
- Economic Uncertainty Unassigned-contingency Fund Balance Reserve: Funds designated to mitigate revenue shortfalls due to downturn in economic cycles, as well as reductions in revenues caused by actions from State/Federal governments, thereby avoiding the need for service-level reductions within the fiscal year. Should any unanticipated reductions in revenues be deemed to be recurring, adjustments will be made in the next budget cycle to reflect the revised revenue projections.

The General Fund reserve levels are as follows:

The City must commit to maintaining the unassigned fund balance at the stated 20% minimum based on the General Fund's annual operating expenditures (minus one-time expenditures).

The City must commit to maintaining the combined assigned and unassigned-contingency reserve fund balance at a minimum of \$5,000,000.

The General Fund Reserve Policy is reviewed by the City Council as part of the biannual operating budget review and adoption process. Appropriations of General Fund reserves require formal Council authorization.

At June 30, 2018, the City is in compliance with their Fund Balance Policy.

D. *Contingency Arrangements*

The City's annual budget requires the City to implement and maintain fund balance to handle any unforeseen contingencies in the future, rather than continued reliance on the City's operating General Fund reserves.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

These unforeseen contingencies include Economic Uncertainty, Catastrophes and Contingencies. As of June 30, 2018, the following are reported within the unassigned fund balance of the General Fund:

	Amount
Economic Uncertainty	\$600,000
Catastrophes	900,000
Contingencies	100,000
Total	<u>\$1,600,000</u>

E. Fund Balance and Net Position Deficits

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Marina as a going concern. The Marina Services Enterprise Fund has an accumulated net deficit of \$3,221,294 as of June 30, 2018, made up primarily of State loans which the City has not had sufficient operating revenues to repay. The fund is used to account for the operation of the City's Marina. Management has taken steps to remedy this situation by privatizing the Marina and entering into an operating agreement with an independent company to manage the Marina. In fiscal year 2006-07, the State agreed to allow the City to make interest-only annual payments until August 2008, at which time the City commenced making principal payments on the loans. During fiscal year 2013 through 2018, the City was again unable to make principal payments on the loans. See discussion in Note 8. Contained in the loan agreements with the State is a provision which allows the State to take over the Marina with a 90-day notice. As of June 30, 2018, the City had not received such notice.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying statement of net position is dependent upon continued operations of the Marina, which in turn is dependent upon the Marina's ability to meet its financing requirements on a continuing basis, to maintain present financing and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Marina be unable to continue in existence.

F. Net Position Restatements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities was reduced by \$12,109,808, and the Business-type Activities and Water Enterprise Fund were reduced by \$774,812, respectively.

NOTE 11 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police), Miscellaneous (all other), and Miscellaneous Joint Facilities Agency Employee Rate Plans. The City's Safety, Miscellaneous, and Miscellaneous Joint Facilities Agency Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors nine rate plans (6 miscellaneous and 3 safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The City's labor contracts of miscellaneous employees require the City to pay 4% of the employee contribution of 7% and the full employer contribution. The City's labor contracts for safety employees require the City to pay the full 9% of the employee contribution, with the employee paying 4% of the employer contribution.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
	Prior to July 1, 2012*	July 1, 2012 to December 31, 2012*	On or after January 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	7%	6.25%
Required employer contribution rates	8.880%	7.159%	N/A

	Miscellaneous Joint Facilities Agency		
	Tier 1	Tier 2	PEPRA
	Prior to July 1, 2012*	July 1, 2012 to December 31, 2012*	On or after January 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	7%	6.25%
Required employer contribution rates	8.880%	7.159%	6.555%

	Safety		
	Tier 1	Tier 2	PEPRA
	Prior to July 1, 2012*	July 1, 2012 to December 31, 2012*	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	9%	11.50%
Required employer contribution rates	19.536%	16.656%	12.082%

*A Classic CalPERS member is an employee who qualifies under one of the following categories:

An employee who was brought into CalPERS membership for the first time prior to January 1, 2013. An employee that was hired after January 1, 2013 yet is eligible for reciprocity with another public retirement system. An employee who is hired by a different CalPERS employer after January 1, 2013, after a break in service of less than six months. An employee who is brought back by the same CalPERS employer, regardless of the length of the break in service.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$2,351,469 in fiscal year 2018.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the contributions to the Plan were as follows:

	Miscellaneous	Miscellaneous Joint Facilities Agency	Total
Contributions - employer	\$9,943	\$228,970	\$238,913
Contributions - employee (paid by employer)	429	53,794	54,223
Total Contributions	<u>\$10,372</u>	<u>\$282,764</u>	<u>\$293,136</u>

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$4,318,381
Miscellaneous - Joint Facilities Agency	13,125,184
Safety	<u>23,545,543</u>
Total Net Pension Liability	<u>\$40,989,108</u>

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous	Miscellaneous Joint Facilities Agency	Safety	Total
Proportion - June 30, 2016	0.10847%	0.32111%	0.41483%	0.84441%
Proportion - June 30, 2017	0.10955%	0.33295%	0.39405%	0.83655%
Change - Increase (Decrease)	0.00108%	0.01184%	(0.02078%)	(0.00786%)

For the year ended June 30, 2018, the City recognized pension expense of \$2,508,556. As of June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$4,369,256	
Differences between actual and expected experience	228,534	\$388,589
Changes in assumptions	5,877,214	449,547
Net differences between projected and actual earnings on plan investments	1,305,027	
Change in proportion and differences between actual contributions and proportionate share of contributions	717,013	2,696,277
Total	\$12,497,044	\$3,534,413

\$4,369,256 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	\$498,793
2020	3,063,403
2021	1,800,432
2022	(769,253)

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2017 the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	All Plans (2)
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS' Membership Data for all funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75 % thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.
- (2) All of the City's plan for Miscellaneous, Miscellaneous Joint Facilities Agency and Safety employed the same assumptions.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change in Assumptions – In 2017, the accounting discount rate reduced from 7.65% to 7.15%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Miscellaneous Joint Facilities Agency	Safety	Total
1% Decrease	6.15%	6.15%	6.15%	6.15%
Net Pension Liability	\$6,424,694	\$20,585,071	\$33,374,037	\$60,383,802
Current Discount Rate	7.15%	7.15%	7.15%	7.15%
Net Pension Liability	\$4,318,381	\$13,125,184	\$23,545,543	\$40,989,108
1% Increase	8.15%	8.15%	8.15%	8.15%
Net Pension Liability	\$2,573,894	\$6,946,770	\$15,511,239	\$25,031,903

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

A. General Information about the City’s Other Post Employment Benefit (OPEB) Plan

The City provides health care benefits for retired employees and spouses based on negotiated employee bargaining unit contracts. Substantially all of the City’s employees may become eligible for those benefits if they reach the normal retirement age and have a minimum ten years of service while working for the City. The premium reimbursement benefits are as follows: 0-10 years of service = 0%; 10-15 years of service = 25%; 15-20 years of service = 50%; 20-25 years of service = 75%; 26 years or more of service = 100%. Currently, 48 retirees meet the eligibility requirements and receive reimbursements.

Additionally, the City provides the option of postretirement health benefits to sworn Police Personnel through the Public Employees’ Retirement System (PERS) in lieu of the reimbursement plan, in accordance with the MOU for that represented group. The City covers 100% of the Kaiser cost for retirees prior to January 1, 2005. Those employees who retire after January 1, 2005 pay a percentage of the cost increase. Currently, 49 retirees meet the eligibility requirements and are either receiving reimbursements or health benefits paid directly by the City to PERS.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouses and dependents are not included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Martinez Police Officers' Association

Health Benefits - Employees represented by the Association who retire for service or disability on PERS shall receive retirement health benefits in accordance with the PERS Health Plan provisions. The City shall pay one hundred percent of the premium cost at the Kaiser North premium level. Employees selecting plans other than Kaiser North shall receive the same dollar contribution as for Kaiser.

Effective January 1, 2005, the City shall pay eighty percent of the increase in the Kaiser premium.

Effective January 1, of each successive year of the Memorandum of Understanding when the premiums are increased by the carrier, the City will pay seventy-five percent of any increase in the Kaiser premium.

Dental Benefits – The City agrees to pay ten dollars per month to Police Officers who retire after July 1, 1991 toward the retirement dental benefit. Such payment will be discontinued for employees who retire after January 1, 2006.

Non-Sworn Employees; Management Association; and Laborers' International Union of North America (LiUNA) Local #324

Health Benefits – Employees represented by the Association and by LiUNA, Local #324 who retire from service or disability on PERS shall receive retirement health benefits in accordance with the following:

Benefits shall be paid at the retirement health benefit rate for the least costly of the health benefit insurances. At the present time the least costly of the plans offered is Kaiser. For those hired prior to January 1, 2007, the City shall pay one hundred percent of the premium prorated based on the percentages shown below.

For those retirees who were hired on or after January 1, 2007, the retiree shall be ninety-three and a half percent reimbursed the amount of the Kaiser premium in effect on January 1, 2007 plus eighty percent of each increase in the premium, prorated based on the percentages shown below.

<u>Years of Service with the City</u>	<u>Percent of Health Insurance To be Paid by City</u>
0 through 9 years	0%
10 through 14 years	25%
15 through 19 years	50%
20 through 24 years	75%
Over 25 years	100%

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

For retirees hired before January 1, 2006, the City will also pay for the cost of Medicare Part B. The above percentages also apply to the payment of Medicare Part B.

For the year ended June 30, 2018, the City did not make contributions to the Plan.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2017:

Active employees	110
Inactive employees or beneficiaries currently receiving benefit payments	102
Total	212

B. Net OPEB Liability

Actuarial Methods and Assumptions – The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

The underlying mortality assumptions were based on the mortality table published by CalPERS in their 2014 study, adjusted to back out 20 years of Scale BB to central year 2008 and all other actuarial assumptions used in July 1, 2017 valuation were based on the results of a June 30, 2016 actuarial experience study for the period 1997 to 2011, except for a different basis used to project future mortality improvements.

	Actuarial Assumptions
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Method
Actuarial Assumptions:	
Discount Rate	7.28%
Inflation	3% per year
Payroll Growth	3.25% per year
Investment Rate of Return	7.28%
Mortality, Retirement, Disability, Termination	CalPERS experience study from January 2014
Mortality Improvement	MacLeod Watts Scale 2017 applied generationally
Healthcare Trend Rate	Medical plan and Medicare Part B premiums and claim costs by age are assumed to increase once each year. 8% for 2018, decreasing to an ultimate rate of 5% in 2021
Participation Rate	Active employees: (a) All miscellaneous employees who qualify for retiree medical benefits are assumed to receive the medical premium subsidy in retirement. (b) All safety employee are assumed to elect medical coverage in retirement. If currently covered, the employee is assumed to continue their current plan selection; non-covered safety employees are assumed to elect coverage in the CalPERS Kaiser Bay Area plan. Retired participants: Existing benefits (all retirees) and medical plan elections (safety employees) are

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Asset Class	Target Allocation
Global Equity	24.0%
Fixed Income	39.0%
Treasury Inflation- Protection Securities ("TIPS")	26.0%
Real Estate InvestmentTrusts ("REITs")	8.0%
Commodities	3.0%
Total	100.0%

Discount Rate – The discount rate used to measure the total OPEB liability was 7.28%. When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an average of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2017	\$19,097,306	\$9,020,624	\$10,076,682
Changes Recognized for the Measurement Period:			
Service Cost	487,084		487,084
Interest on the total OPEB liability	1,387,160		1,387,160
Expected Investment Income		663,687	(663,687)
Employer Contributions		1,256,745	(1,256,745)
Changes of Benefit Terms			
Administrative expenses		(4,835)	4,835
Benefit payments	(1,060,000)	(1,060,000)	
Assumption Changes			
Plan Experience			
Investment Experience		438,359	(438,359)
Recognized Deferred Resources			
Employer Contributions in Fiscal Year			
Net changes in Fiscal Year 2017-2018	814,244	1,293,956	(479,712)
Balance at June 30, 2018	\$19,911,550	\$10,314,580	\$9,596,970

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

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

Net OPEB Liability/(Asset)		
Discount Rate -1% (6.28%)	Discount Rate (7.28%)	Discount Rate +1% (8.28%)
\$11,868,845	\$9,596,970	\$7,689,325

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

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
\$7,274,217	\$9,596,970	\$12,526,319

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$34,949. At June 30, 2018, the City reported deferred inflows of resources totaling to \$350,687 related to OPEB from the net difference between projected and actual earnings on investments, and will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$87,672)
2020	(87,672)
2021	(87,672)
2022	(87,671)

NOTE 13 – DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 14 – RISK MANAGEMENT

A. *Municipal Pooling Authority*

The City is a member of the Municipal Pooling Authority. The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$25,000)	\$29,000,000
Employment Risk Management Authority (\$50,000)	2,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Government Crime (\$2,500)	1,000,000
Workers' Compensation (no deductible)	Statutory Limits
All Risk Fire & Property (\$25,000, except water claims \$150,000)	1,000,000,000
Earthquake (20% of replacement cost values, \$50,000 minimum, all other perils \$25,000 per occurrence)	8,300,128
Flood (\$100,000 per occurrence)	25,000,000
Boiler & Machinery (\$5,000)	100,000,000
Cyber Liability (\$50,000)	2,000,000
Public Entity Pollution Liability (\$100,000)	1,000,000

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the Authority are available from Municipal Pooling Authority, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 14 – RISK MANAGEMENT (Continued)

B. *Liability for Uninsured Claims*

The City provides for the uninsured portion of claims and judgments, including a provision for claims incurred but not reported, when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

The City's liability for uninsured claims at June 30 was estimated by management based on claims experience reported by Municipal Pooling Authority and was computed as follows:

	2018	2017
Beginning balance	\$80,000	\$80,000
Liability for current fiscal year claims	23,940	75,874
Increase (decrease) in liability for prior fiscal year claims and claims incurred but not reported (IBNR)	(21,851)	(67,954)
Claims paid	(2,089)	(7,920)
Ending balance	<u>\$80,000</u>	<u>\$80,000</u>

The amount of settled claims has not exceeded the City's maximum coverages in any of the past three years.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. *Litigation*

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no presently filed litigation which is likely to have a material adverse effect on the financial position of the City.

B. *Encumbrances*

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically re-appropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2018 were as listed below:

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

	Amount
Governmental funds:	
General Fund	\$204,459
Measure H Capital Project Fund	1,487,006
Capital Improvements	686,734
Total	<u>\$2,378,199</u>

C. Sales Tax Sharing Agreement - County

In fiscal year 1992, the City entered into a sales tax sharing agreement with Contra Costa County. The agreement became effective in fiscal year 1992 and the City is to make semi-annual payments each year equal to 60% of the total sales tax generated by the Midhill/Morello Annexation Area and received by the City. During fiscal year 2018, payments made to the County under the agreement totaled \$266,179.

D. Sales Tax Sharing Agreement - Corporation

In fiscal year 2010, the City entered into a sales tax sharing agreement with a corporation. The agreement became effective in fiscal year 2010 and the City is to make quarterly payments each year equal to 60% of the total sales tax generated by the corporation and received by the City. The agreement terminates on December 31, 2021, however there are two five year renewal options that may follow the termination date. During fiscal year 2018, payments made to the corporation under the agreement totaled \$403,594.

E. Pleasant Hill-Martinez Joint Facilities Agency

During the fiscal year ended June 30, 2015, the California Public Employees' Retirement System (CalPERS) issued an audit report concerning the Pleasant Hill-Martinez Joint Facilities Agency (Agency). CalPERS found that the Agency was unable to provide the information necessary to determine the accuracy of retirement benefits, enrollment processes and changes to its initial formation and structure. CalPERS also found that individuals enrolled in by the Agency appeared to be common law employees of the City.

As a result of the findings noted above, employees that are included in the Agency's Miscellaneous pension plans will need to be transferred into the City's Miscellaneous pension plans. The City reached a final agreement with CalPERS and Social Security. Effective August 1, 2018, all Agency employees became City employees and members of the City's Miscellaneous Pension Plan. In October 2018, the City paid \$2.8 million in Social Security taxes for the three prior fiscal years, representing the City's Social Security tax liability resulting from the Agreement.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS*

**SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS AS OF THE MEASUREMENT DATE**

Prepared for City of Martinez, a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2017
Last 10 Years *

Measurement Date:	<u>Miscellaneous</u> <u>6/30/2014</u>	<u>Miscellaneous</u> <u>6/30/2015</u>	<u>Miscellaneous</u> <u>6/30/2016</u>	<u>Miscellaneous</u> <u>6/30/2017</u>
Plan's proportion of the Net Pension Liability (Asset)	0.10933%	0.10472%	0.10847%	0.10955%
Plan's proportion share of the Net Pension Liability (Asset)	\$2,701,972	\$2,872,914	\$3,768,128	\$4,318,381
Plan's Covered Payroll	315,585	259,522	355,081	1,273,352
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	856.18%	1107.00%	1061.20%	339.13%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.38%	80.79%	74.38%	74.38%

Measurement Date:	<u>Miscellaneous Joint Facilities Agency</u> <u>6/30/2014</u>	<u>Miscellaneous Joint Facilities Agency</u> <u>6/30/2015</u>	<u>Miscellaneous Joint Facilities Agency</u> <u>6/30/2016</u>	<u>Miscellaneous Joint Facilities Agency</u> <u>6/30/2017</u>
Plan's proportion of the Net Pension Liability (Asset)	0.31739%	0.30044%	0.32111%	0.33295%
Plan's proportion share of the Net Pension Liability (Asset)	\$7,844,364	\$8,242,482	\$11,155,029	\$13,125,184
Plan's Covered Payroll	6,172,612	6,828,544	6,015,665	5,370,025
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	118.10%	120.71%	185.43%	244.42%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	82.55%	77.40%	77.40%

Measurement Date:	<u>Safety</u> <u>6/30/2014</u>	<u>Safety</u> <u>6/30/2015</u>	<u>Safety</u> <u>6/30/2016</u>	<u>Safety</u> <u>6/30/2017</u>
Plan's proportion of the Net Pension Liability (Asset)	0.44743%	0.44518%	0.41483%	0.39405%
Plan's proportion share of the Net Pension Liability (Asset)	\$16,782,851	\$18,343,345	\$21,485,011	\$23,545,543
Plan's Covered Payroll	2,832,476	3,754,044	3,162,539	3,053,376
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	592.52%	488.63%	679.36%	771.13%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	67.12%	70.93%	67.12%	67.12%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS*

SCHEDULE OF CONTRIBUTIONS

Prepared for City of Martinez, a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2018
Last 10 Years*

	Miscellaneous 2015	Miscellaneous 2016	Miscellaneous 2017	Miscellaneous 2018
Fiscal Year Ended June 30:				
Actuarially determined contribution	\$11,530	\$152,716	\$243,645	\$731,113
Contributions in relation to the actuarially determined contributions	(11,530)	(152,716)	(243,645)	(731,113)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$259,522	\$355,081	\$1,273,352	\$2,136,878
Contributions as a percentage of covered-employee payroll	4.44%	43.01%	19.13%	74.38%

	Miscellaneous Joint Facilities Agency 2015	Miscellaneous Joint Facilities Agency 2016	Miscellaneous Joint Facilities Agency 2017	Miscellaneous Joint Facilities Agency 2018
Fiscal Year Ended June 30:				
Actuarially determined contribution	\$1,024,854	\$1,097,873	\$1,063,415	\$1,115,840
Contributions in relation to the actuarially determined contributions	(1,024,854)	(1,097,873)	(1,063,415)	(1,115,840)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$6,828,544	\$6,015,665	\$5,370,025	\$5,369,107
Contributions as a percentage of covered-employee payroll	24.61%	18.25%	19.80%	77.40%

	Safety 2015	Safety 2016	Safety 2017	Safety 2018
Fiscal Year Ended June 30:				
Actuarially determined contribution	\$1,680,603	\$2,116,539	\$2,200,477	\$1,848,327
Contributions in relation to the actuarially determined contributions	(1,680,603)	(2,116,539)	(2,200,477)	(1,848,327)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$3,754,044	\$3,754,044	\$3,053,376	\$3,369,512
Contributions as a percentage of covered-employee payroll	44.77%	56.38%	72.07%	67.12%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 14.2%, depending on Age, Service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Retiree Health Funding Plan

Last Ten Fiscal years*

Measurement Date	6/30/17
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Total OPEB Liability	
Service Cost	\$487,084
Interest	1,387,160
Changes in benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments	(1,060,000)
Net change in total OPEB liability	814,244
Total OPEB liability - beginning	19,097,306
Total OPEB liability - ending (a)	<u><u>\$19,911,550</u></u>
Plan fiduciary net position	
Contributions - employer	
Net investment income	\$1,102,046
Administrative expense	(4,835)
Benefit payments	(1,060,000)
Net change in plan fiduciary net position	37,211
Plan fiduciary net position - beginning	9,020,624
Plan fiduciary net position - ending (b)	<u><u>\$9,057,835</u></u>
Net OPEB liability - ending (a)-(b)	<u><u>\$10,853,715</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	45.49%
Covered-employee payroll	<u><u>\$10,459,876</u></u>
Net OPEB liability as a percentage of covered-employee payroll	<u><u>103.77%</u></u>

Notes to schedule:

* Fiscal year 2018 was the first year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

Retiree Health Funding Plan

Last Ten Fiscal years*

Fiscal Year Ended June 30,	2018
Actuarially determined contribution	\$1,295,715
Contributions in relation to the actuarially determined contribution	1,162,669
Contribution deficiency (excess)	\$133,046
Covered-employee payroll	\$10,875,496
Contributions as a percentage of covered-employee payroll	10.69%

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Method
Actuarial Assumptions:	
Discount Rate	7.28%
Inflation	3% per year
Payroll Growth	3.25% per year
Investment Rate of Return	7.28%
Mortality, Retirement, Disability, Termination	CalPERS experience study from Jan 2014
Mortality Improvement	MacLeod Watts Scale 2017 applied generationally
All Other Assumptions	Same as those used to determine the total OPEB liability

Notes to Schedule:

*Fiscal year 2018 was the first year of implementation.

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:**Gas Tax Funds**

To account for the funds received from the State of California under code 2105, 2106, and 2107 to use for street and highway related projects.

NPDES Stormwater Fund

To account for the revenues and expenditures from assessments levied on all real property in the City in compliance with the provisions of the National Pollutant Discharge Elimination System for prevention of stormwater and flood related damage.

Measure J Fund

This fund receives voter-approved, half cent countywide sales taxes levied to fund transportation improvements and disburses these funds to pay for local street improvements.

COPS Grant Fund

To account for the funds received from the federal government and State of California to be used specifically for public safety equipment and personnel.

Housing In-Lieu Fund

This fund accounts for developer fees which are paid in-lieu of affordable housing. The funds are to be used at the City's discretion for the provision of affordable housing to low and moderate income households.

PEG Access Fund

This fund accounts for the payments received by the City's cable provider to be used for public, educational and governmental capital support as provided by the City's franchise agreement.

Recycling Fund

This fund accounts for grants the City receives for the disposal of used oil and recycling of material and for monies received to cover the implementation of the City's Assembly Bill 939 programs and Climate Action Plan initiatives.

CAPITAL PROJECTS FUNDS:**Alhambra Creek Improvements**

To account for the funds spent on the Alhambra Creek channel improvements in an effort to curb flooding and related damage to property within the special assessment district.

Lighting and Landscaping Fund

To account for the installation, maintenance and improvement of subdivision landscape and lighting within the special districts. Monies are collected through an annual levy on the property owners within each district.

Measure D

This fund receives voter-approved, one half cent sales tax to fund road maintenance and improvements within the City.

CITY OF MARTINEZ
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	Gas Tax Funds	NPDES Stormwater Fund	Measure J Fund	COPS Grant Fund
ASSETS				
Cash and investments:				
Available for operations	\$537,448	\$89,930	\$835,420	\$499,867
Receivables:				
Accounts receivables (net of allowance for uncollectibles)				
Intergovernmental	32,747	231,734	565,064	
Prepays				
Total Assets	<u>\$570,195</u>	<u>\$321,664</u>	<u>\$1,400,484</u>	<u>\$499,867</u>
LIABILITIES				
Accounts payable	\$5,624	\$26,734	\$4,799	
Accrued wages and benefits		4,157		
Deposits				\$23,346
Advance from other funds				
Total Liabilities	<u>5,624</u>	<u>30,891</u>	<u>4,799</u>	<u>23,346</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - miscellaneous receivables				
FUND EQUITY				
Fund balances:				
Restricted	564,571	290,773	1,395,685	476,521
Unassigned				
Total Fund Balances (Deficit)	<u>564,571</u>	<u>290,773</u>	<u>1,395,685</u>	<u>476,521</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$570,195</u>	<u>\$321,664</u>	<u>\$1,400,484</u>	<u>\$499,867</u>

SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
Housing In-Lieu Fund	PEG Access	Recycling Fund	Alhambra Creek Improvements	Lighting and Landscaping Fund	Measure D	
\$360,637	\$633,987	\$82,594		\$322,835	\$3,751,900	\$7,114,618
	14,104	389				14,493
			\$5,866		555,491	1,390,902
		2,151				2,151
<u>\$360,637</u>	<u>\$648,091</u>	<u>\$85,134</u>	<u>\$5,866</u>	<u>\$322,835</u>	<u>\$4,307,391</u>	<u>\$8,522,164</u>
		\$20,056		\$5,340		\$62,553
						4,157
			\$5,865			23,346
						5,865
		20,056	5,865	5,340		95,921
			5,865			5,865
\$360,637	\$648,091	65,078	(5,864)	317,495	\$4,307,391	8,426,242
						(5,864)
<u>360,637</u>	<u>648,091</u>	<u>65,078</u>	<u>(5,864)</u>	<u>317,495</u>	<u>4,307,391</u>	<u>8,420,378</u>
<u>\$360,637</u>	<u>\$648,091</u>	<u>\$85,134</u>	<u>\$5,866</u>	<u>\$322,835</u>	<u>\$4,307,391</u>	<u>\$8,522,164</u>

CITY OF MARTINEZ
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	Gas Tax Funds	NPDES Stormwater Fund	Measure J Fund	COPS Grant Fund
REVENUES				
Taxes				
Special assessments				
Licenses, permits, and fees				
Intergovernmental	\$977,783	\$687,835	\$733,959	\$158,898
Charges for services		402		
Fines and forfeits				41,753
Use of money and property	3,293	615	10,730	3,222
Miscellaneous				101,688
Total Revenues	<u>981,076</u>	<u>688,852</u>	<u>744,689</u>	<u>305,561</u>
EXPENDITURES				
Current:				
Administrative services				
Community & economic development	540,567	454,612	132,417	
Police				7,059
Capital outlay		6,026		112,954
Total Expenditures	<u>540,567</u>	<u>460,638</u>	<u>132,417</u>	<u>120,013</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>440,509</u>	<u>228,214</u>	<u>612,272</u>	<u>185,548</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000			
Transfers (out)	(232,000)	(450,700)	(929,000)	
Total Other Financing Sources (Uses)	<u>(182,000)</u>	<u>(450,700)</u>	<u>(929,000)</u>	
NET CHANGE IN FUND BALANCES	258,509	(222,486)	(316,728)	185,548
BEGINNING FUND BALANCES (DEFICIT)	<u>306,062</u>	<u>513,259</u>	<u>1,712,413</u>	<u>290,973</u>
ENDING FUND BALANCES (DEFICIT)	<u><u>\$564,571</u></u>	<u><u>\$290,773</u></u>	<u><u>\$1,395,685</u></u>	<u><u>\$476,521</u></u>

SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
Housing In-Lieu Fund	PEG Access	Recycling Fund	Alhambra Creek Improvements	Lighting and Landscaping Fund	Measure D	
					\$3,810,893	\$3,810,893
				\$123,901		123,901
		\$93				93
		19,834	\$11,976			2,590,285
		5,312				5,714
		13,308				55,061
\$4,329				3,802	24,812	50,803
	\$55,560	40,978				198,226
4,329	55,560	79,525	11,976	127,703	3,835,705	6,834,976
	4,200	128,324				132,524
				123,685	900	1,252,181
						7,059
						118,980
	4,200	128,324		123,685	900	1,510,744
4,329	51,360	(48,799)	11,976	4,018	3,834,805	5,324,232
				13,700		63,700
						(1,611,700)
				13,700		(1,548,000)
4,329	51,360	(48,799)	11,976	17,718	3,834,805	3,776,232
356,308	596,731	113,877	(17,840)	299,777	472,586	4,644,146
\$360,637	\$648,091	\$65,078	(\$5,864)	\$317,495	\$4,307,391	\$8,420,378

CITY OF MARTINEZ
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	GAS TAX FUNDS			NPDES STORMWATER FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Licenses, permits, and fees						
Intergovernmental	\$1,039,000	\$977,783	(\$61,217)	\$492,000	\$687,835	\$195,835
Charges for services				1,000	402	(598)
Fines and forfeits						
Use of money and property	1,000	3,293	2,293	800	615	(185)
Miscellaneous						
Total Revenues	1,040,000	981,076	(58,924)	493,800	688,852	195,052
EXPENDITURES						
Current:						
Administrative services						
Community development	577,100	540,567	36,533	504,405	454,612	49,793
Police						
Capital outlay	3,491		3,491		6,026	(6,026)
Total Expenditures	580,591	540,567	40,024	504,405	460,638	43,767
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	459,409	440,509	(18,900)	(10,605)	228,214	238,819
OTHER FINANCING SOURCES (USES)						
Transfers in		50,000	50,000			
Transfers (out)	(232,000)	(232,000)		(450,700)	(450,700)	
Total Other Financing Sources (Uses)	(232,000)	(182,000)	50,000	(450,700)	(450,700)	
NET CHANGE IN FUND BALANCES	\$227,409	258,509	\$31,100	(\$461,305)	(222,486)	\$238,819
BEGINNING FUND BALANCES		306,062			513,259	
ENDING FUND BALANCES		\$564,571			\$290,773	

MEASURE J FUND			COPS GRANT FUND			PEG ACCESS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$539,400	\$733,959	\$194,559	\$100,000	\$158,898	\$58,898			
20,000		(20,000)		41,753	41,753			
2,000	10,730	8,730	200	3,222	3,022			
			100,000	101,688	1,688	\$58,000	\$55,560	(\$2,440)
561,400	744,689	183,289	200,200	305,561	105,361	58,000	55,560	(2,440)
						65,000	4,200	60,800
232,800	132,417	100,383	182,897	7,059	175,838			
			100,000	112,954	(12,954)			
232,800	132,417	100,383	282,897	120,013	162,884	65,000	4,200	60,800
—								
328,600	612,272	283,672	(82,697)	185,548	268,245	(7,000)	51,360	58,360
(929,000)	(929,000)							
(929,000)	(929,000)							
(\$600,400)	(316,728)	\$283,672	(\$82,697)	185,548	\$268,245	(\$7,000)	51,360	\$58,360
	1,712,413			290,973			596,731	
	\$1,395,685			\$476,521			\$648,091	

(Continued)

CITY OF MARTINEZ
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	RECYCLING FUND		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Licenses, permits, and fees	\$300	\$93	(\$207)
Intergovernmental	28,548	19,834	(8,714)
Charges for services	4,000	5,312	1,312
Fines and forfeits	5,000	13,308	8,308
Use of money and property			
Miscellaneous	41,500	40,978	(522)
Total Revenues	79,348	79,525	177
EXPENDITURES			
Current:			
Administrative services	160,494	128,324	32,170
Community development			
Police			
Capital outlay			
Total Expenditures	160,494	128,324	32,170
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(81,146)	(48,799)	32,347
OTHER FINANCING SOURCES (USES)			
Transfers (out)			
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	(\$81,146)	(48,799)	\$32,347
BEGINNING FUND BALANCES		113,877	
ENDING FUND BALANCES		\$65,078	

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to Internal Service Funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, Internal Service Funds are still presented separately in the Fund financial statements, including the funds below.

Equipment Replacement

To account for the accumulation of funds for equipment replacement and the subsequent replacement and maintenance of the equipment under City control.

Management Information System

To account for the services rendered to all City departments for management of the City's hardware and software needs.

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Equipment Replacement	Management Information System	Total
ASSETS			
Current Assets:			
Cash and investments available for operations	\$328,042	\$660,582	\$988,624
Total Current Assets	328,042	660,582	988,624
Capital Assets:			
Equipment	4,611,533	489,421	5,100,954
Accumulated depreciation	(2,955,515)	(419,082)	(3,374,597)
Construction in progress	86,732		86,732
Net Capital Assets	1,742,750	70,339	1,813,089
Total Assets	2,070,792	730,921	2,801,713
LIABILITIES			
Current Liabilities:			
Accounts payable	35,358	19,603	54,961
Accrued liabilities	16,955	7,234	24,189
Accrued vacation and other fringe benefits	49,974	37,148	87,122
Total Liabilities	102,287	63,985	166,272
NET POSITION	1,742,750	70,339	1,813,089
Net investment in capital assets	225,755	596,597	822,352
Unrestricted			
Total Net Position	\$1,968,505	\$666,936	\$2,635,441

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30 , 2018

	Equipment Replacement	Management Information System	Total
OPERATING REVENUES			
Charges for services	\$927,221	\$776,364	\$1,703,585
Other revenue	8,988	26,043	35,031
Total Operating Revenues	936,209	802,407	1,738,616
OPERATING EXPENSES			
Maintenance and repairs	802,584	589,138	1,391,722
Depreciation	265,801	23,360	289,161
Total Operating Expenses	1,068,385	612,498	1,680,883
Operating Income (Loss)	(132,176)	189,909	57,733
NONOPERATING REVENUES			
Interest income	5,195	7,124	12,319
Gain on disposal of equipment	13,800		13,800
Total Nonoperating Revenues	18,995	7,124	26,119
Change in Net Position	(113,181)	197,033	83,852
BEGINNING NET POSITION	2,081,686	469,903	2,551,589
ENDING NET POSITION	\$1,968,505	\$666,936	\$2,635,441

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Equipment Replacement	Management Information System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$936,209	\$802,407	\$1,738,616
Payments to suppliers	(538,501)	(351,272)	(889,773)
Payments to employees	(246,444)	(216,600)	(463,044)
	<u>151,264</u>	<u>234,535</u>	<u>385,799</u>
Cash Flows from Operating Activities			
	<u>151,264</u>	<u>234,535</u>	<u>385,799</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(681,374)	(88,319)	(769,693)
Proceeds from sale of equipment	13,800		13,800
	<u>(667,574)</u>	<u>(88,319)</u>	<u>(755,893)</u>
Cash Flows from Capital and Related Financing Activities			
	<u>(667,574)</u>	<u>(88,319)</u>	<u>(755,893)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	5,195	7,124	12,319
	<u>5,195</u>	<u>7,124</u>	<u>12,319</u>
Cash Flows from Investing Activities			
	<u>5,195</u>	<u>7,124</u>	<u>12,319</u>
Net Cash Flows	(511,115)	153,340	(357,775)
Cash and investments at beginning of period	839,157	507,242	1,346,399
Cash and investments at end of period	<u>\$328,042</u>	<u>\$660,582</u>	<u>\$988,624</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	(\$132,176)	\$189,909	\$57,733
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	265,801	23,360	289,161
Change in assets and liabilities:			
Prepays		413	413
Accounts payable	(2,894)	16,583	13,689
Accrued liabilities	10,140	568	10,708
Accrued vacation and other fringe benefits	10,393	3,702	14,095
	<u>\$151,264</u>	<u>\$234,535</u>	<u>\$385,799</u>
Cash Flows from Operating Activities			
	<u>\$151,264</u>	<u>\$234,535</u>	<u>\$385,799</u>

AGENCY FUNDS

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Alhambra Creek Assessment District

To account for the special assessment district funds received from property owners within the district to repay the debt issued for the Alhambra Creek Channel improvements.

Senior Center Club

To account for the assets held for the Senior Center Club usage.

Sanitation District #6

To account for the operation and maintenance of the treatment facility in the Stonehurst subdivision.

CITY OF MARTINEZ
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<hr/> <u>Alhambra Creek Assessment District</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$223,863	\$101,227	\$105,422	\$219,668
Total assets	<u>\$223,863</u>	<u>\$101,227</u>	<u>\$105,422</u>	<u>\$219,668</u>
<u>Liabilities</u>				
Accounts payable	\$134		\$134	
Due to bondholders	<u>223,729</u>	<u>\$101,227</u>	<u>105,288</u>	<u>\$219,668</u>
Total liabilities	<u>\$223,863</u>	<u>\$101,227</u>	<u>\$105,422</u>	<u>\$219,668</u>
<hr/> <u>Senior Center Club</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$96,162	\$61,255	\$61,415	\$96,002
Total assets	<u>\$96,162</u>	<u>\$61,255</u>	<u>\$61,415</u>	<u>\$96,002</u>
<u>Liabilities</u>				
Accounts payable	\$1,215	\$2,773	\$1,215	\$2,773
Due to members	<u>94,947</u>	<u>58,482</u>	<u>60,200</u>	<u>93,229</u>
Total liabilities	<u>\$96,162</u>	<u>\$61,255</u>	<u>\$61,415</u>	<u>\$96,002</u>
<hr/> <u>Sanitation District #6</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$35,581	\$99,597	\$93,262	\$41,916
Total assets	<u>\$35,581</u>	<u>\$99,597</u>	<u>\$93,262</u>	<u>\$41,916</u>
<u>Liabilities</u>				
Accounts payable	\$6,587	\$7,566	\$6,587	\$7,566
Due to members	<u>28,994</u>	<u>92,031</u>	<u>86,675</u>	<u>34,350</u>
Total liabilities	<u>\$35,581</u>	<u>\$99,597</u>	<u>\$93,262</u>	<u>\$41,916</u>

CITY OF MARTINEZ
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Total Agency Funds</u>				
<u>Assets</u>				
Restricted cash and investments	\$355,606	\$262,079	\$260,099	\$357,586
Total assets	<u>\$355,606</u>	<u>\$262,079</u>	<u>\$260,099</u>	<u>\$357,586</u>
<u>Liabilities</u>				
Accounts payable	\$7,936	\$10,339	\$7,936	\$10,339
Due to bondholders	223,729	101,227	105,288	219,668
Due to members	<u>123,941</u>	<u>150,513</u>	<u>146,875</u>	<u>127,579</u>
Total liabilities	<u>\$355,606</u>	<u>\$262,079</u>	<u>\$260,099</u>	<u>\$357,586</u>

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STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and 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. Water System Revenue
4. Principal Property Tax Payers
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 Legal Bonded Debt Margin
3. Computation of Direct and Overlapping Debt
4. Revenue Bond Coverage, Water Fund Certificates of Participation

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:

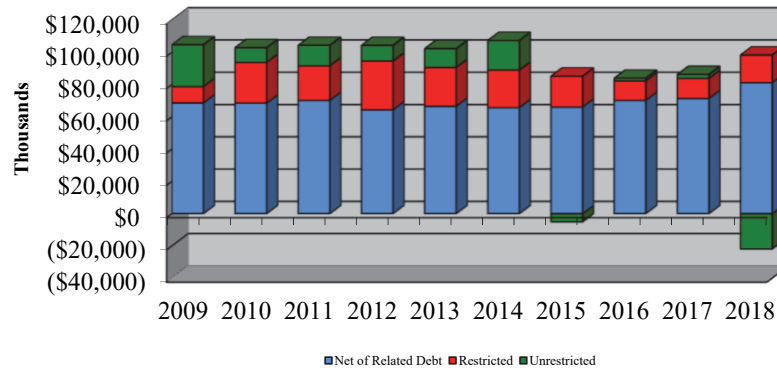
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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CITY OF MARTINEZ
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)



	Fiscal year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$42,645,250	\$43,328,577	\$46,268,501	\$44,385,099	\$45,011,693	\$45,809,594	\$45,450,132	\$43,734,851	\$44,405,729	\$50,565,076
Restricted	2,947,166	17,697,648	13,524,459	18,207,558	16,908,562	12,532,439	11,108,552	10,781,624	10,960,360	15,835,853
Unrestricted	19,638,559	2,805,660	5,722,653	3,189,334	3,652,112	11,087,516	(13,666,690)	(8,401,847)	(7,757,618)	(28,754,373)
Total governmental activities net position	<u>\$65,230,975</u>	<u>\$63,831,885</u>	<u>\$65,515,613</u>	<u>\$65,781,991</u>	<u>\$65,572,367</u>	<u>\$69,429,549</u>	<u>\$42,891,994</u>	<u>\$46,114,628</u>	<u>\$47,608,471</u>	<u>\$37,646,556</u>
Business-type activities										
Net investment in capital assets	\$25,908,195	\$25,104,326	\$23,863,759	\$19,898,904	\$21,503,114	\$19,877,117	\$20,590,346	\$26,431,563	\$26,940,588	\$30,560,640
Restricted	7,224,675	7,620,488	7,941,902	12,086,217	7,116,866	10,711,495	8,016,662	1,306,401	1,469,604	1,295,916
Unrestricted	6,280,210	6,301,271	6,960,954	6,466,983	8,005,741	7,279,730	8,566,322	10,058,713	10,217,982	6,823,011
Total business-type activities net position	<u>\$39,413,080</u>	<u>\$39,026,085</u>	<u>\$38,766,615</u>	<u>\$38,452,104</u>	<u>\$36,625,721</u>	<u>\$37,868,342</u>	<u>\$37,173,330</u>	<u>\$37,796,677</u>	<u>\$38,628,174</u>	<u>\$38,679,567</u>
Primary government										
Net investment in capital assets	\$68,553,445	\$68,432,903	\$70,132,260	\$64,284,003	\$66,514,807	\$65,686,711	\$66,040,478	\$70,166,414	\$71,346,317	\$81,125,716
Restricted	10,171,841	25,318,136	21,466,361	30,293,775	24,025,428	23,243,934	19,125,214	12,088,025	12,429,964	17,131,769
Unrestricted	25,918,769	9,106,931	12,683,607	9,656,317	11,657,853	18,367,246	(5,100,368)	1,656,866	2,460,364	(21,931,362)
Total primary government net position	<u>\$92,009,103</u>	<u>\$104,644,055</u>	<u>\$102,857,970</u>	<u>\$104,282,228</u>	<u>\$102,198,088</u>	<u>\$107,297,891</u>	<u>\$80,065,324</u>	<u>\$83,911,305</u>	<u>\$86,236,645</u>	<u>\$76,326,123</u>

CITY OF MARTINEZ
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

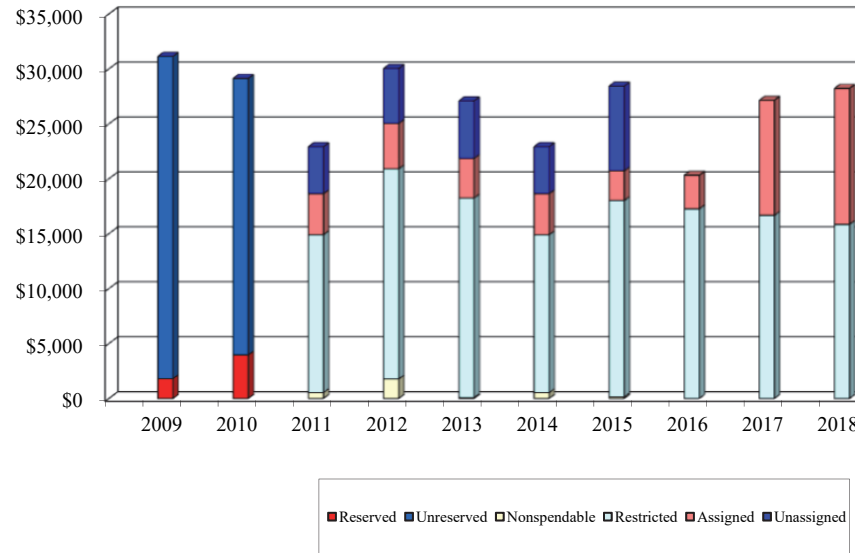
	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	\$1,328,858	\$1,860,433	\$1,888,212	\$1,545,222	\$1,628,907	\$1,372,623	\$1,611,595	\$1,369,469	\$1,918,245	\$1,593,240
Nondepartmental Services	1,114,785									
Administrative Services	781,593	695,828	912,678	945,076	1,000,933	1,132,197	1,068,860	1,413,623	1,809,388	2,164,798
Public Works	3,369,089	3,842,513	4,181,381	3,466,780	3,975,144	3,790,730	3,886,364	5,020,506	4,472,196	4,749,605
Community & Economic Development	5,856,950	6,725,653	6,024,757	5,917,326	5,887,738	8,103,341	6,213,848	6,331,892	6,747,138	8,798,044
Police	9,853,949	10,616,620	10,665,218	10,483,295	10,932,911	10,993,156	10,113,586	10,857,018	11,369,234	14,558,166
Interest on Long-Term Debt	291,152	584,615	813,299	1,102,335	1,106,817	1,152,130	1,134,763	1,126,363	1,121,663	827,503
Total Governmental Activities Expenses	<u>22,596,376</u>	<u>24,325,662</u>	<u>24,485,545</u>	<u>24,532,450</u>	<u>24,532,450</u>	<u>26,544,177</u>	<u>24,029,016</u>	<u>26,118,871</u>	<u>27,437,864</u>	<u>32,691,356</u>
Business-Type Activities:										
Water System	10,317,436	10,200,676	9,891,686	10,782,125	10,854,257	10,849,585	11,521,664	10,870,282	10,672,421	11,476,441
Marina Services	345,533	388,591	558,512	410,669	707,155	253,902	210,585	227,217	394,355	971,672
Parking Services	454,122	451,488	483,876	365,585	232,110	229,773	200,029	240,781	249,305	375,223
Total Business-Type Activities Expenses	<u>11,117,091</u>	<u>11,040,755</u>	<u>10,934,074</u>	<u>11,793,522</u>	<u>11,793,522</u>	<u>11,333,260</u>	<u>11,932,278</u>	<u>11,338,280</u>	<u>11,316,081</u>	<u>12,823,336</u>
Total Primary Government Expenses	<u>\$33,713,467</u>	<u>\$35,366,417</u>	<u>\$35,419,619</u>	<u>\$36,325,972</u>	<u>\$36,325,972</u>	<u>\$37,877,437</u>	<u>\$35,961,294</u>	<u>\$37,457,151</u>	<u>\$38,753,945</u>	<u>\$45,514,692</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$27,359	\$32,079	\$26,863	\$29,694	\$37,921	\$58,935	\$54,962	\$67,270	\$78,003	\$39,304
Administrative Services			\$49,145	49,492	3,511	109,688	3,268	16,879	11,354	18,890
Public Works	660,516	585,117	580,520	666,808	848,572	991,335	1,214,613	1,197,114	919,936	1,020,657
Community & Economic Development	731,853	549,109	547,115	708,532	1,143,313	1,921,226	1,108,481	1,066,618	819,990	886,456
Police	398,088	376,514	441,982	282,683	358,692	494,759	698,631	570,906	398,873	416,263
Operating Grants and Contributions	2,645,990	2,414,403	3,034,131	2,617,726	2,472,936	2,643,701	3,004,759	3,488,286	2,593,652	2,964,531
Capital Grants and Contributions	<u>13,319,245</u>	<u>2,124,450</u>	<u>4,308,479</u>	<u>1,861,281</u>	<u>2,882,306</u>	<u>4,658,843</u>	<u>2,700,158</u>	<u>3,167,192</u>	<u>3,992,910</u>	<u>6,205,765</u>
Total Government Activities Program Revenues	<u>17,783,051</u>	<u>6,081,672</u>	<u>8,988,235</u>	<u>7,747,251</u>	<u>7,747,251</u>	<u>10,878,487</u>	<u>8,784,872</u>	<u>9,574,265</u>	<u>8,814,718</u>	<u>11,551,866</u>
Business-Type Activities:										
Charges for Services:										
Water System	10,044,919	9,830,348	9,746,857	10,438,993	11,244,347	11,678,627	11,436,258	11,057,430	11,139,006	12,279,253
Marina Services	241,247	245,157	227,759	362,067	143,244	178,017	136,730	139,715	187,929	237,432
Parking Services	387,388	398,591	368,673	327,253	367,904	481,163	468,572	509,013	506,874	527,860
Operating Grants and Contributions										
Capital Grants and Contributions							1,019,923		377	
Total Business-Type Activities Program Revenues	<u>10,673,554</u>	<u>10,474,096</u>	<u>10,343,289</u>	<u>11,128,313</u>	<u>11,755,495</u>	<u>12,337,807</u>	<u>13,061,483</u>	<u>11,706,158</u>	<u>11,834,186</u>	<u>13,044,545</u>
Total Primary Government Program Revenues	<u>\$28,456,605</u>	<u>\$16,555,768</u>	<u>\$19,331,524</u>	<u>\$17,344,529</u>	<u>\$19,502,746</u>	<u>\$23,216,294</u>	<u>\$21,846,355</u>	<u>\$21,280,423</u>	<u>\$20,648,904</u>	<u>\$24,596,411</u>
Net (Expense)/Revenue										
Governmental Activities	(\$4,813,325)	(\$18,243,990)	(\$15,497,310)	(\$17,243,818)	(\$16,785,199)	(\$15,665,690)	(\$15,244,144)	(\$16,544,606)	(\$18,623,146)	(\$21,139,490)
Business-Type Activities	(443,537)	(566,659)	(590,785)	(430,096)	(38,027)	1,004,547	1,129,205	367,878	518,105	221,209
Total Primary Government Net Expense	<u>(\$5,256,862)</u>	<u>(\$18,810,649)</u>	<u>(\$16,088,095)</u>	<u>(\$17,673,914)</u>	<u>(\$16,823,226)</u>	<u>(\$14,661,143)</u>	<u>(\$14,114,939)</u>	<u>(\$16,176,728)</u>	<u>(\$18,105,041)</u>	<u>(\$20,918,281)</u>

CITY OF MARTINEZ
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(continued)

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$6,833,240	\$6,440,055	\$6,413,918	\$6,262,596	\$6,154,962	\$6,603,214	\$7,165,086	\$7,755,254	\$8,212,232	\$8,574,093
Sales Taxes	2,548,963	2,890,078	3,216,371	3,239,219	3,544,810	3,775,971	3,088,342	4,017,775	4,728,669	7,846,172
State Tax Shift - ERAF III										
VLF Property Tax Swap	2,663,236	2,553,503	2,516,117	2,465,909	2,428,253	2,538,617	2,733,906	2,951,290	3,099,796	3,255,258
Other Taxes	2,475,992	2,363,498	2,257,290	2,667,102	2,779,809	4,424,621	2,175,417	2,144,745	1,261,367	809,753
Franchise Fees	1,380,404	1,355,211	1,356,952	1,379,610	1,468,924	1,516,127	1,546,295	1,624,289	1,734,239	1,772,088
Business Licenses							683,676	713,938	738,306	746,434
Intergovernmental	192,805	178,083	238,498	85,068	72,276	62,369	476,267	96,217	78,469	84,475
Investment Earnings	412,821	187,035	123,304	75,843	74,686	61,227	53,549	202,078	188,096	365,718
Miscellaneous	1,055,423	893,942	1,259,193	1,157,849	775,704	631,486	397,049	330,185	231,033	215,172
Gain on sale of capital assets				177,000		31,841	8,250	1,723		
Transfers	49,529	(16,605)	(200,605)		(723,849)	(122,601)	(21,238)	(70,254)	(155,218)	(381,780)
Total Government Activities	17,612,413	16,844,800	17,181,038	17,510,196	16,575,575	19,522,872	18,306,599	19,767,240	20,116,989	23,287,383
Business-Type Activities:										
Other Taxes	64,263	61,579	67,403	62,620	70,237	69,169	67,888	67,481	68,869	74,191
Investment Earnings	263,207	82,093	63,307	52,965	45,531	46,304	43,074	117,734	89,682	148,648
Rents & Leases										
Miscellaneous	1,460									
Contributions		19,387								
Transfers	(49,529)	16,605	200,605		723,849	122,601	21,238	70,254	155,218	381,780
Total Business-Type Activities	279,401	179,664	331,315	115,585	839,617	238,074	132,200	255,469	313,769	604,619
Total Primary Government	<u>\$17,891,814</u>	<u>\$17,024,464</u>	<u>\$17,512,353</u>	<u>\$17,625,781</u>	<u>\$17,415,192</u>	<u>\$19,760,946</u>	<u>\$18,438,799</u>	<u>\$20,022,709</u>	<u>\$20,430,758</u>	<u>\$23,892,002</u>
Change in Net Position										
Governmental Activities	\$12,799,088	(\$1,399,090)	\$1,683,728	\$266,378	(\$209,624)	\$3,857,182	\$3,062,455	\$3,222,634	\$3,222,634	\$2,147,893
Business-Type Activities	(164,136)	(386,995)	(259,470)	(314,511)	801,590	1,242,621	1,261,405	623,347	623,347	826,205
Total Primary Government	<u>\$12,634,952</u>	<u>(\$1,786,085)</u>	<u>\$1,424,258</u>	<u>(\$48,133)</u>	<u>\$591,966</u>	<u>\$5,099,803</u>	<u>\$4,323,860</u>	<u>\$3,845,981</u>	<u>\$3,845,981</u>	<u>\$2,974,098</u>

CITY OF MARTINEZ
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Thousands



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$853,371	\$809,098								
Unreserved	8,973,975	7,692,426								
Nonspendable			\$536,597	\$526,565	\$75,090	\$77,969	\$67,211	\$71,212	\$67,499	\$11,451
Restricted			2,974	1,053						
Assigned			2,071,135	1,961,611	1,633,745	1,473,738	2,705,355	3,064,471	5,048,345	4,201,563
Unassigned			4,323,175	5,040,539	5,270,651	6,720,878	7,736,927	9,826,549	8,634,938	8,156,998
Total General Fund	<u>\$9,827,346</u>	<u>\$8,501,524</u>	<u>\$6,933,881</u>	<u>\$7,529,768</u>	<u>\$6,979,486</u>	<u>\$8,272,585</u>	<u>\$10,509,493</u>	<u>\$12,962,232</u>	<u>\$13,750,782</u>	<u>\$12,370,012</u>
All Other Governmental Funds										
Reserved	\$951,122	\$3,149,573								
Unreserved, reported in:										
Special revenue funds	1,789,329	1,837,726								
Capital project funds	18,567,181	15,641,080								
Unreserved										
Nonspendable				\$1,250,684			\$71,212	\$67,499	\$67,499	
Restricted			14,361,436	19,116,926	\$18,159,246	\$14,703,857	17,874,482	17,252,296	16,665,499	\$15,835,853
Assigned			1,668,389	2,179,333	1,981,587	2,177,057			5,428,913	8,187,154
Unassigned			(48,017)	(41,976)	(35,473)	(29,644)	(23,761)	(17,840)	8,617,098	(6,019,278)
Total all other governmental funds	<u>\$21,307,632</u>	<u>\$20,628,379</u>	<u>\$15,981,808</u>	<u>\$22,504,967</u>	<u>\$20,105,360</u>	<u>\$16,851,270</u>	<u>\$17,921,933</u>	<u>\$17,301,955</u>	<u>\$30,779,009</u>	<u>\$18,003,729</u>

(a) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.

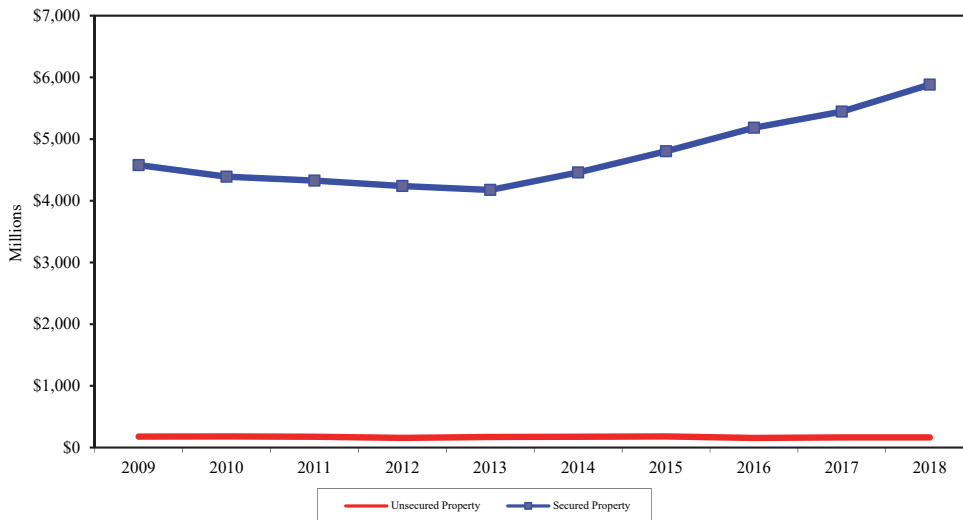
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CITY OF MARTINEZ
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2009	2010	2011	2012
Revenues				
Taxes	\$15,901,834	\$15,602,345	\$15,809,271	\$16,063,061
Special assessments	593,327	1,391,343	2,110,101	2,131,149
Licenses, permits and fees	569,653	451,972	537,305	599,672
Intergovernmental revenues	14,976,879	3,985,583	5,536,564	2,351,629
Charges for services	716,173	562,189	470,550	658,908
Fines and forfeits	376,179	360,431	429,593	260,961
Use of money and property	403,693	249,043	172,727	131,211
Miscellaneous	1,126,603	911,374	1,281,478	1,338,225
Total Revenues	<u>34,664,341</u>	<u>23,514,280</u>	<u>26,347,589</u>	<u>34,664,341</u>
Expenditures				
Current:				
General government	1,327,384	1,324,418	1,312,555	1,119,861
Nondepartmental services	1,156,191	816,510	1,712,090	1,140,089
Administrative services	757,298	725,585	816,218	881,894
Public works	3,773,961	3,742,399	3,627,781	3,551,258
Community & economic development	4,975,417	5,321,903	4,162,888	3,692,811
Police	9,755,501	9,972,242	10,013,872	9,651,789
Capital outlay	14,524,632	2,295,078	9,332,495	6,766,413
Debt service:				
Principal repayment	215,000	220,000	570,000	595,000
Interest and fiscal charges	291,152	584,615	813,299	1,102,335
Total Expenditures	<u>36,776,536</u>	<u>25,002,750</u>	<u>32,361,198</u>	<u>36,776,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,112,195)</u>	<u>(1,488,470)</u>	<u>(6,013,609)</u>	<u>(2,112,195)</u>
Other Financing Sources (Uses)				
Transfers in	1,514,146	609,610	963,037	1,135,700
Transfers (out)	(1,464,617)	(626,215)	(1,163,642)	(1,135,700)
Issuance of long-term debt	15,000,000			10,000,000
Bond premium	400,128			279,996
Sale of property				555,000
Total other financing sources (uses)	<u>15,449,657</u>	<u>(16,605)</u>	<u>(200,605)</u>	<u>15,449,657</u>
Special Item:				
Loan to Martinez Unified School District		(500,000)		
Net Change in fund balances	<u>\$13,337,462</u>	<u>(\$1,505,075)</u>	<u>(\$6,214,214)</u>	<u>\$13,337,462</u>
Debt service as a percentage of noncapital expenditures	2.3%	3.5%	6.0%	7.8%

Fiscal Year Ended June 30,					
2013	2014	2015	2016	2017	2018
\$16,376,758	\$17,310,873	\$17,392,721	\$19,207,291	\$19,774,610	\$25,113,574
2,103,941	1,667,428	1,865,833	2,036,288	2,122,150	123,901
1,073,745	1,984,339	1,204,818	947,244	742,292	830,656
3,074,644	6,735,114	5,204,168	4,773,110	4,641,699	6,992,487
771,351	1,168,252	1,054,933	1,233,169	865,028	979,666
328,365	533,779	422,704	467,825	352,285	345,859
136,927	178,395	165,951	321,512	313,965	483,095
840,525	687,225	362,590	417,198	250,566	337,648
24,706,256	30,265,405	\$27,673,718	\$29,403,637	\$29,062,595	35,206,886
1,232,407	1,189,903	1,311,797	1,234,239	1,367,650	1,588,134
1,248,093	1,206,920	1,151,381	1,389,052	1,857,896	1,669,156
913,886	933,807	1,037,182	1,568,815	1,428,655	1,661,691
3,764,743	3,569,702	3,754,724	3,657,350	3,699,160	4,165,292
3,741,772	5,832,338	3,675,189	3,589,532	3,704,043	5,508,533
10,064,111	10,013,626	9,444,399	10,738,380	10,603,450	11,016,751
2,724,783	7,655,369	2,596,686	4,083,178	4,257,539	11,753,314
885,000	550,000	310,000	110,000	125,000	13,975,000
1,106,817	1,152,130	1,134,763	1,126,363	1,121,663	827,503
25,681,612	32,103,795	24,416,121	27,496,909	28,165,056	52,165,374
(975,356)	(1,838,390)	3,257,597	1,906,728	897,539	(16,958,488)
529,742	377,353	2,467,091	1,690,301	866,400	2,663,900
(1,253,591)	(499,954)	(2,488,329)	(1,760,555)	(1,181,618)	(3,045,680)
(723,849)	(122,601)	(21,238)	(70,254)	(315,218)	(381,780)
(\$1,699,205)	(\$1,960,991)	3,236,359	\$1,836,474	\$582,321	(\$17,340,268)
8.7%	7.0%	6.6%	5.3%	5.2%	36.7%

**CITY OF MARTINEZ
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



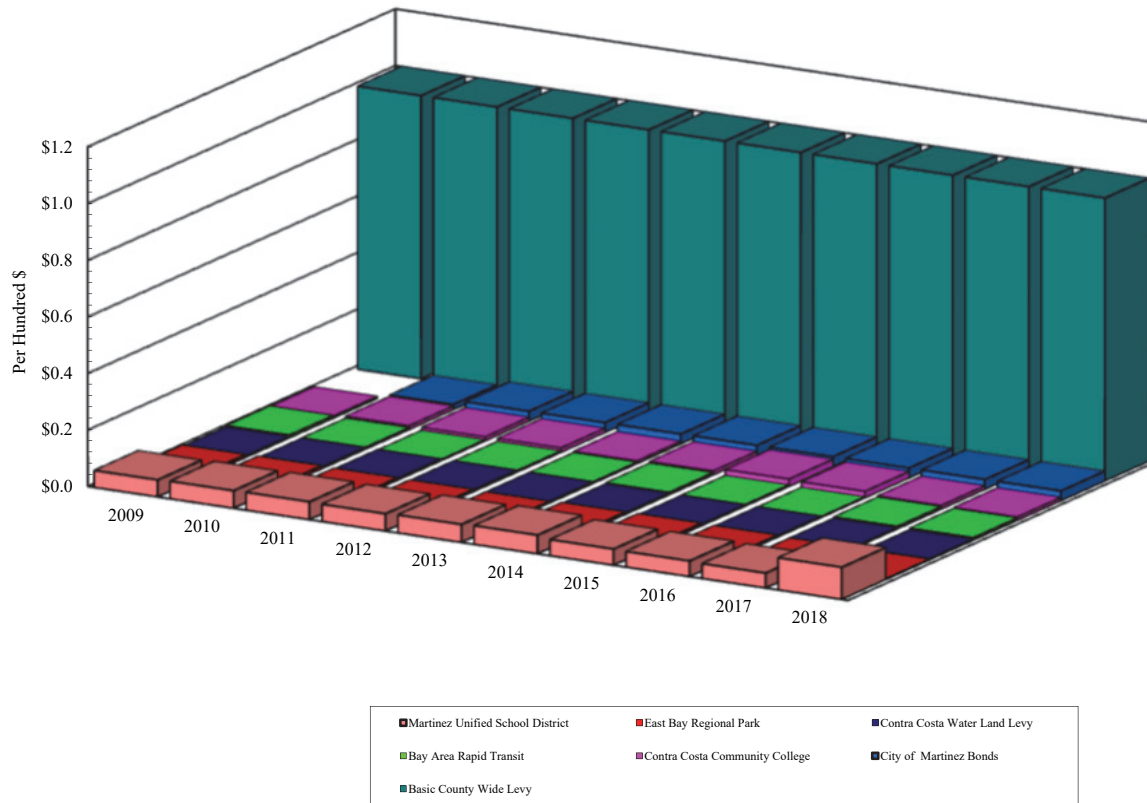
Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2009	\$3,633,226,219	\$275,675,065	\$425,243,421	\$66,391,574	\$4,400,536,279	\$177,818,280	\$4,578,354,559	\$4,578,354,559	1%
2010	3,396,269,139	281,325,148	469,892,706	62,478,908	4,209,965,901	180,171,657	4,390,137,558	4,390,137,558	1%
2011	3,344,430,122	283,901,765	466,229,666	57,623,622	4,152,185,175	174,543,244	4,326,728,419	4,326,728,419	1%
2012	3,270,983,316	278,173,641	475,085,062	58,146,935	4,082,388,954	157,024,907	4,239,413,861	4,239,413,861	1%
2013	3,180,388,843	273,588,400	483,885,447	67,569,176	4,005,431,866	170,207,139	4,175,639,005	4,175,639,005	1%
2014	3,450,089,512	272,590,309	496,280,160	65,053,984	4,284,013,965	175,316,982	4,459,330,947	4,459,330,947	1%
2015	3,790,278,674	275,814,808	478,871,404	76,665,537	4,621,630,423	180,770,037	4,802,400,460	4,802,400,460	1%
2016	4,126,901,318	294,812,660	532,101,663	74,824,562	5,028,640,203	155,618,777	5,184,258,980	5,184,258,980	1%
2017	4,354,185,154	305,474,744	542,151,490	79,081,734	5,280,893,122	164,327,888	5,445,221,010	5,445,221,010	1%
2018	4,630,578,702	314,215,274	554,360,015	219,080,672	5,718,234,663	164,327,888	5,882,562,551	5,882,562,551	1%

(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. The City of Martinez encompasses more than 15 tax rate areas.

Source: Contra Costa County Auditor Controller Office Certificate of Assessed Valuations and HDL Coren & Cone

**CITY OF MARTINEZ
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



Fiscal Year	Basic County Wide Levy	Bay Area Rapid Transit	Contra Costa Community College	Contra Costa Water Land Levy	East Bay Regional Park	Martinez Unified School District	City of Martinez Bonds	Total
2009	1.0000	0.0090	0.0066	0.0041	0.0100	0.0597		1.0894
2010	1.0000	0.0057	0.0126	0.0048	0.0108	0.0619	\$0.0181	1.1139
2011	1.0000	0.0031	0.0133	0.0049	0.0084	0.0629	0.0347	1.1273
2012	1.0000	0.0041	0.0144	0.0051	0.0071	0.0608	0.0347	1.1262
2013	1.0000	0.0043	0.0087	0.0045	0.0051	0.0633	0.0347	1.1206
2014	1.0000	0.0075	0.0133	0.0042	0.0078	0.0658	0.0347	1.1333
2015	1.0000	0.0045	0.0252	0.0037	0.0085	0.0568	0.0347	1.1334
2016	1.0000	0.0026	0.0220	0.0035	0.0067	0.0550	0.0347	1.1245
2017	1.0000	0.0080	0.0120	0.0032	0.0032	0.0524	0.0347	1.1135
2018	1.0000	0.0084	0.0114	0.0030	0.0021	0.1133	0.0347	1.1729

Source: Contra Costa County Auditor Controller

CITY OF MARTINEZ
Water System Revenue
Last Ten Fiscal Years

Fiscal Year	Water Sales	Total Operating Revenue	Percentage of Water Sales to Operating Revenue
2009	\$9,603,050	\$10,046,379	95.59%
2010	9,484,712	9,830,348	96.48%
2011	9,413,940	9,746,857	96.58%
2012	10,058,440	10,438,993	96.35%
2013	10,688,120	11,244,347	95.05%
2014	10,902,108	11,678,627	93.35%
2015	10,166,736	11,436,258	88.90%
2016	10,708,122	11,139,006	96.13%
2017	10,708,122	11,139,006	96.13%
2018	11,841,458	12,279,253	96.43%

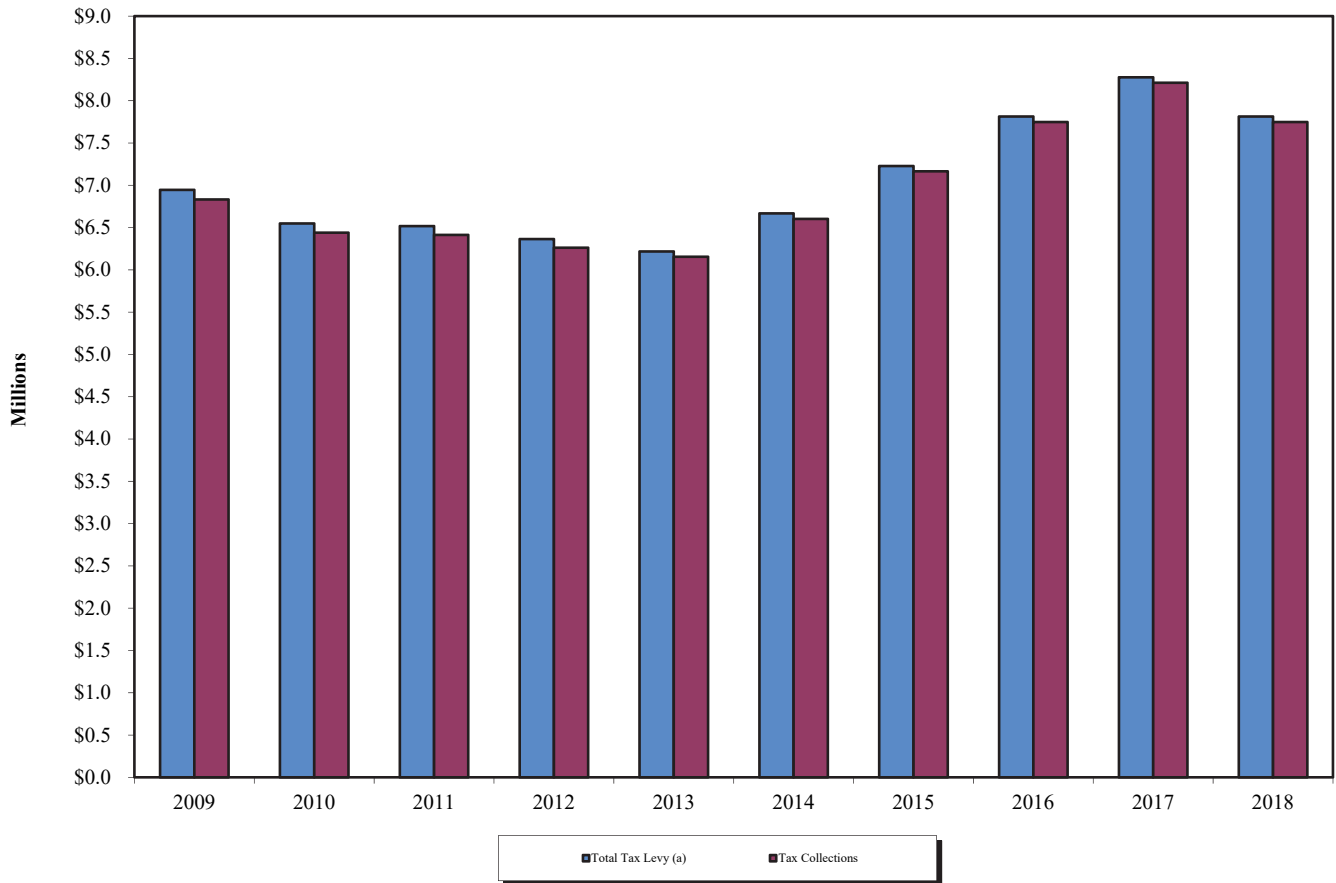
Source: City of Martinez Administrative Services Department

CITY OF MARTINEZ
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2017-18			2008-09		
	Taxable Assessed Value Secured & Unsecured	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value Secured & Unsecured	Rank	Percentage of Total City Taxable Assessed Value
Equilon Enterprises LLC	\$224,485,375	1	4.04%	\$152,561,683	1	3.33%
Pacific Atlantic Terminals LLC	141,509,743	2	2.54%	116,256,559	2	2.54%
Tesoro Refining & Marketing Company	55,218,240	3	0.99%			
Fairfield Hidden Creek LLC	38,557,492	4	0.69%			
ECO Services Operations, LLC	34,540,358	5	0.62%			
Rutherford Valley Ridge LLC	25,097,512	6	0.45%			
Wal Mart Real Estate	21,042,797	7	0.38%	18,609,204	8	0.41%
Muir Station Center LLC	21,018,325	8	0.38%	18,571,134	7	0.41%
Muirwood Square Investors LP	20,487,314	9	0.37%	18,101,943	10	0.40%
Collier Village Oaks LLC	15,938,404	10	0.29%	18,143,640		0.40%
Subtotal	\$597,895,560		10.7%	\$342,244,163		7.5%
Total Net Assessed Valuation:						
Fiscal Year 2017-18	\$5,562,496,985					
Fiscal Year 2008-09	\$4,578,354,559					

Source: HDL Coren & Cone

**CITY OF MARTINEZ
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	County Administrative Fee	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2009	\$6,946,652	\$6,946,652	100.00%	0	(\$113,412)	\$6,833,240	100.00%
2010	6,548,656	6,548,656	100.00%	0	(108,601)	6,440,055	100.00%
2011	6,517,643	6,517,643	100.00%	0	(103,726)	6,413,918	100.00%
2012	6,364,044	6,364,044	100.00%	0	(101,448)	6,262,596	100.00%
2013	6,218,195	6,218,195	100.00%	0	(63,233)	6,154,962	100.00%
2014	6,668,234	6,668,234	100.00%	0	(65,020)	6,603,214	100.00%
2015	7,227,747	7,227,747	100.00%	0	(62,661)	7,165,086	100.00%
2016	7,813,158	7,813,158	100.00%	0	(65,017)	7,748,141	100.00%
2017	8,276,355	8,276,355	100.00%	0	(64,123)	8,212,232	100.00%
2018	7,813,158	7,813,158	100.00%	0	(65,017)	7,748,141	100.00%

NOTE: Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California

(a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

Source: Contra Costa County Auditor-Controller

CITY OF MARTINEZ
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Governmental Activities					
Fiscal Year	General Obligation Bonds	Certificates of Participation	Total	Percentage of Actual Taxable Value of Property	General Bonded Debt Per Capita
2009	\$15,000,000	1,185,000	\$1,185,000	0.00%	412.68
2010	15,000,000	965,000	15,965,000	0.34%	409.13
2011	14,660,000	735,000	15,395,000	0.34%	407.58
2012	24,300,000	500,000	24,800,000	0.57%	672.94
2013	23,660,000	255,000	23,915,000	0.57%	647.26
2014	23,365,000		23,365,000	0.52%	634.42
2015	23,055,000		23,055,000	0.48%	618.69
2016	22,945,000		22,945,000	0.44%	613.26
2017	22,820,000		22,820,000	0.42%	615.86
2018	25,780,000		25,780,000	0.44%	681.45

Business-Type Activities						
Fiscal Year	Certificates of Participation	Loans Payable	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita
2009	\$8,780,000	\$4,264,958	\$13,044,958	\$14,229,958	1.02%	\$391.17
2010	8,280,000	4,247,215	12,527,215	13,712,215	1.04%	374.01
2011	7,760,000	4,228,497	11,988,497	27,383,497	2.05%	761.33
2012	10,805,000	4,146,224	14,951,224	39,751,224	2.90%	1,100.84
2013	10,647,884	4,171,723	14,819,607	38,734,607	2.72%	1,059.65
2014	9,780,632	4,197,223	13,977,855	37,342,855	(a)	1,013.95
2015	8,898,380	4,222,723	13,121,103	36,176,103	(a)	970.81
2016	7,996,130	4,248,223	12,244,353	35,189,353	(a)	940.51
2017	7,058,880	4,273,724	11,332,604	34,152,604	(a)	934.45
2018	6,091,630	4,299,224	10,390,854	36,170,854	(a)	956.12

(a) Personal Income data not available for fiscal years 2014 through 2018

Sources:

City of Martinez

State of California, Department of Finance (population)

U.S. Department of commerce, Bureau of the Census (income)

CITY OF MARTINEZ
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2018

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$5,882,562,551
---	-----------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$220,596,096
---	---------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	25,780,000
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	0
Amount of debt subject to limit	25,780,000

LEGAL BONDED DEBT MARGIN	\$194,816,096
--------------------------	---------------

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
2009	\$165,020,110	\$15,000,000	\$150,020,110	10.00%
2010	157,873,721	15,000,000	142,873,721	10.50%
2011	155,706,944	14,660,000	141,046,944	10.39%
2012	153,089,586	24,300,000	128,789,586	18.87%
2013	156,586,463	23,660,000	132,926,463	17.80%
2014	167,224,911	23,365,000	143,859,911	16.24%
2015	180,090,017	23,055,000	157,035,017	14.68%
2016	204,195,788	22,945,000	171,464,712	13.38%
2017	204,195,788	22,820,000	181,375,788	12.58%
2018	220,596,096	25,780,000	194,816,096	13.23%

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 the limit to account for the adjustment of showing assessed valuation at full cash value.

CITY OF MARTINEZ
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2018

2017-18 Assessed Valuation \$5,718,210,834

	Total Debt 06/30/16	(1) % Applicable	City's Share of Debt 6/30/18
DIRECT LONG-TERM DEBT			
City of Martinez	<u>\$25,780,000</u>	100.000%	<u>\$25,780,000</u>
Subtotal Direct Long-term Debt	25,780,000		25,780,000
 DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			
Bay Area Rapid Transit District	831,820,000	0.82%	6,886,880
East Bay Regional Park District	187,800,000	1.285%	2,413,230
Contra Costa Community College District	403,600,000	2.975%	12,007,100
Martinez Unified School District	80,800,000	57.560%	46,508,480
Mount Diablo Unified School District	450,577,203	5.349%	24,101,375
Mount Diablo Unified School District Community Facilities District #1	12,565,000	5.349%	672,102
City of Martinez 1915 Act Bonds	185,000	100.000%	185,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	1,993,127,203		118,554,166
 OVERLAPPING GENERAL FUND DEBT			
Contra Costa County Certificates of Participation	291,777,297	2.964%	8,648,279
Contra Costa County Pension Obligations	155,880,000	2.964%	4,620,283
Contra Costa Community College District Certificates of Participation	330,000	2.975%	9,818
Contra Costa Fire Protection District Pension Obligations	65,250,000	6.463%	4,217,108
 TOTAL NET OVERLAPPING GENERAL FUND DEBT			<u>17,495,487</u>
Less Contra Costa County self-supporting obligations			<u>3,390,651</u>
TOTAL NET DIRECT AND OVERLAPPING LONG-TERM DEBT			14,104,836
 TOTAL DIRECT DEBT			\$25,780,000
GROSS OVERLAPPING DEBT			\$110,269,655
NET OVERLAPPING DEBT			\$106,879,003

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value.

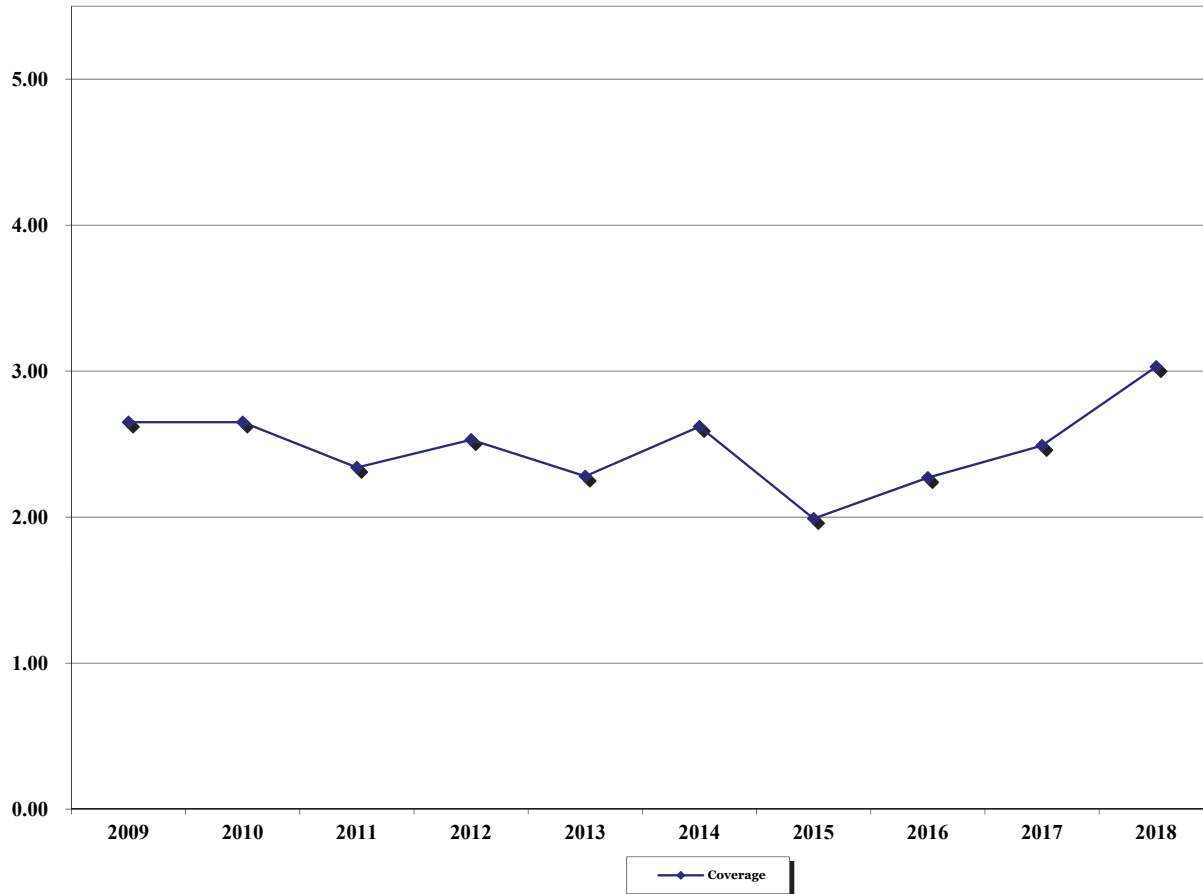
Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

RATIOS TO 2017-18 ASSESSED VALUATION:

Total Direct Debt	0.45%
Total Direct and Overlapping Tax and Assessment Debt	2.07%
Gross Combined Total Debt	2.38%
Net Combined Total Debt	2.32%
Source: California Municipal Statistics, Inc.	

**CITY OF MARTINEZ
REVENUE BOND COVERAGE
WATER FUND CERTIFICATES OF PARTICIPATION
LAST TEN FISCAL YEARS**

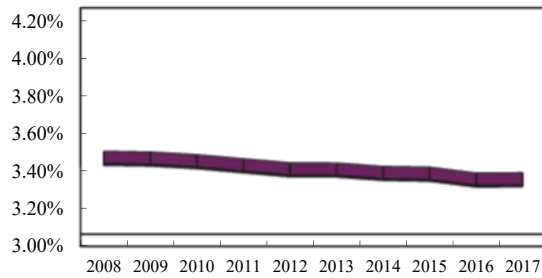


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2009	\$10,285,545	\$7,924,631	\$2,360,914	\$485,000	\$406,326	\$889,642	2.65
2010	9,906,086	7,823,809	2,082,277	500,000	389,642	889,642	2.65
2011	9,805,813	7,548,774	2,257,039	520,000	371,092	891,092	2.34
2012	10,488,260	8,318,126	2,170,134	345,000	181,771	890,698	2.53
2013	11,286,802	8,670,144	2,616,658	795,000	354,089	1,149,089	2.28
2014	11,722,012	8,703,244	3,018,768	820,000	332,370	1,152,370	2.62
2015	11,476,090	9,202,430	2,273,660	835,000	309,485	1,144,485	1.99
2016	11,160,659	8,571,619	2,589,040	855,000	285,799	1,140,799	2.27
2017	11,214,057	8,357,609	2,856,448	890,000	258,528	1,148,528	2.49
2018	12,397,121	8,924,224	3,472,897	920,000	227,680	1,147,680	3.03

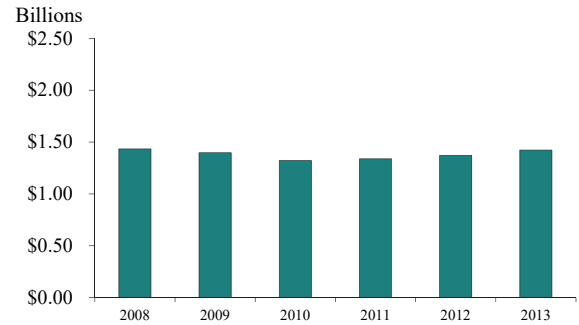
Notes: (1) Includes all Water Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenues
(2) Includes all Water Operating Expenses less Depreciation and Interest

Source: City of Martinez Annual Financial Statements

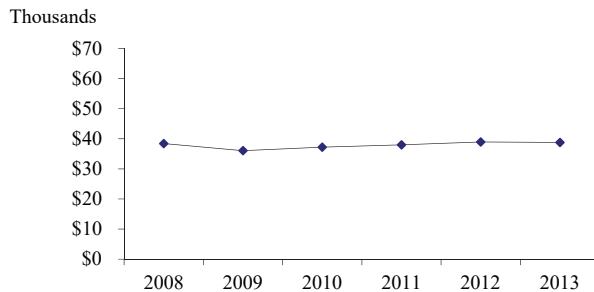
CITY OF MARTINEZ DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN CALENDAR YEARS



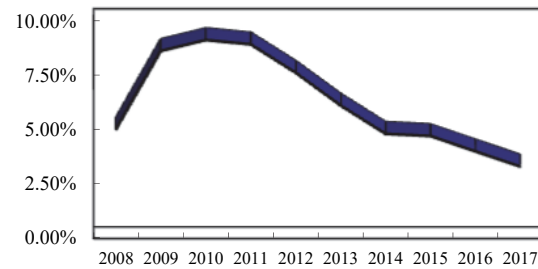
Series1



Total Personal Income (a)



Per Capita Personal Income (a)



Series1

Calendar Year	City Population	Total Personal Income (a)	Per Capita Personal Income (a)	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2008	36,121	\$1,434,160,000	\$39,704	5.0%	1,051,674	3.43%
2009	36,378	1,397,131,000	38,406	8.6%	1,060,435	3.43%
2010	36,663	1,321,884,000	36,055	9.1%	1,073,055	3.42%
2011	35,968	1,338,550,000	37,215	8.9%	1,059,557	3.39%
2012	36,110	1,371,821,000	37,990	7.6%	1,070,440	3.37%
2013	36,554	1,423,575,000	38,944	6.1%	1,083,937	3.37%
2014	36,829	1,428,309,000	38,782	4.8%	1,098,018	3.35%
2015	37,264	1,464,010,000	39,288	4.7%	1,112,328	3.35%
2016	37,415	1,522,185,000	40,684	4.0%	1,127,279	3.32%
2017	37,831	1,629,580,000	43,075	3.3%	1,139,313	3.32%

NOTES: (a) Per capita personal income are only available for Contra Costa County.

Personal income is the product of the countywide per capita amount multiplied by the City's population.

(b) Data for fiscal years 2014, 2015, and 2016 not available

Source: California State Department of Finance
Bureau of Economic Analysis
California State Employment Development Department

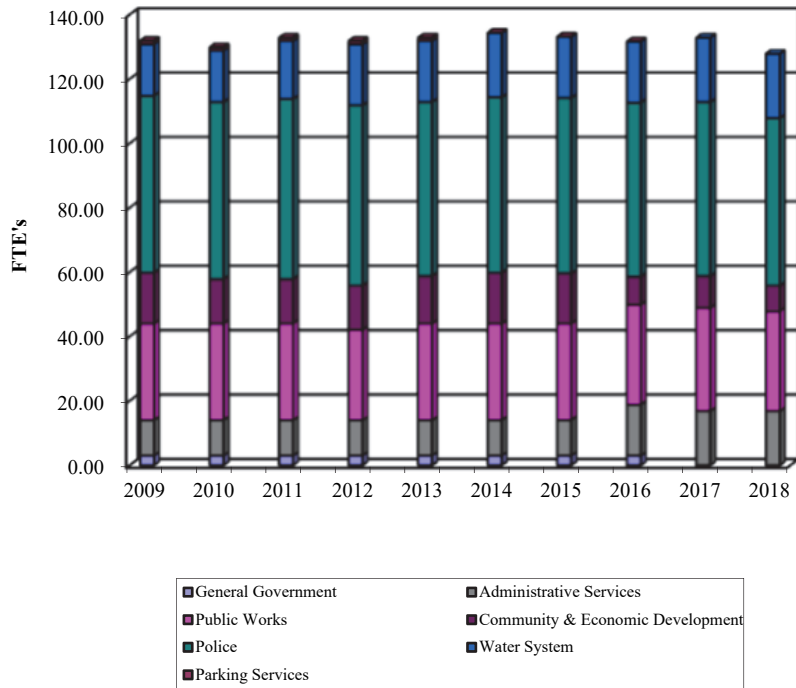
CITY OF MARTINEZ
Principal Employers
Current Year and Ten Years Ago

Employer	2017-18			2007-08		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Contra Costa County (a)	9,078	1	43.86%	10,000	1	45.25%
Veterans Admin Medical Center	1,093	2	5.28%	700	4	3.17%
Kaiser Permanente	868	3	4.19%	765	2	3.46%
Shell Oil Refinery	737	4	3.56%	725	3	3.28%
Martinez Unified School District	693	5	3.35%	425	5	1.92%
Wal-Mart Store	225	6	1.09%	300	6	1.36%
Safeway Stores	200	7	0.97%	205	8	0.93%
Home Depot	134	8	0.65%			
City of Martinez	120	9	0.58%	170	9	0.77%
Brand Energy & Infrastructure Service	120	10	0.58%			
Contra Costa Electric				250	7	1.13%
California Grand Casino				145	10	0.66%
Total Top Employers	13,268		64.11%	13,685		61.93%
Total City Employment	20,700			21,100		

(a) Contra Costa County employee count represents the entire county.

Source: Muni Services, LLC

CITY OF MARTINEZ
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years



	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
General Government	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administrative Services	11.00	11.00	11.00	11.00	11.00	11.00	11.00	15.80	16.80	16.80
Public Works	30.00	30.00	30.00	28.00	30.00	30.00	30.00	31.00	32.00	31.00
Community & Economic Development	15.80	13.80	13.80	13.80	14.80	15.80	15.60	8.80	10.00	8.00
Police	55.00	55.00	56.00	56.00	54.00	54.50	54.50	54.00	54.00	52.00
Water System	16.00	16.00	18.00	19.00	19.00	20.00	19.00	19.00	20.00	20.00
Parking Services	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Total	131.80	129.80	132.80	131.80	132.80	134.30	133.10	131.60	135.80	130.80

Source: City of Martinez Administrative Services Department

CITY OF MARTINEZ
Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Function/Program				
Public safety:				
Police:				
Police calls for Service	30,794	29,463	27,501	24,700
Law violations:				
Part I and Part II crimes	4,923	4,343	4,079	3,612
Physical arrests (adult and juvenile)	1,585	1,655	1,622	1,162
Traffic violations	2,598	2,985	1,738	1,040
Parking violations	8,790	8,864	9,226	3,143
Public works				
Street resurfacing				
Seal Coat (miles)	3.41	14.75	0.00	0.00
Asphalt overlay (miles)	0.89	1.70	1.90	0.50
Culture and recreation:				
Community Services:				
Number of recreation classes	462	504	458	520
Number of community events	67	69	72	72
Number of facility rentals	273	290	416	263
Water				
Water service connections - active	9,751	9,755	9,767	9,777
Water main breaks	46	38	34	40
Average daily consumption (thousands of gallons)	4,663	3,970	3,470	3,594

Note: n/a denotes information not available.

Source: City of Martinez

Fiscal Year					
2013	2014	2015	2016	2017	2018
27,584	28,782	32,234	32,234	32,913	28,081
3,857	3,854	3,802	3,802	3,633	2,114
1,348	1,417	1,394	1,394	1,179	1,014
1,012	1,464	886	886	740	390
7,554	12,153	9,739	9,739	8,513	8,302
0.00	1.82	0.10	0.10	0.00	9.84
0.87	0.15	0.10	0.10	0.41	0.41
726	730	720	720	744	739
150	162	170	170	174	185
521	532	660	660	645	685
9,768	9,807	9,846	9,846	9,943	9,955
52	33	23	23	40	42
3,770	3,779	3,829	3,829	3,974	3,315

CITY OF MARTINEZ
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Function/Program				
Public safety:				
Police stations	1	1	1	1
Police sworn officers	39	39	39	37
Public works				
Miles of streets	122	122	122	122
Street lights	5,005	5,005	5,005	5,005
Traffic Signals	265	265	265	265
Culture and recreation:				
Community services:				
City parks	17	17	17	17
City parks acreage	271	271	271	271
Playgrounds	14	14	14	14
City trails	9	9	9	9
Roadway landscaping acreage	12	12	12	12
Community gardens	1	1	1	1
Senior centers	1	1	1	1
Performing arts centers	1	1	1	1
Swimming pools	1	1	1	1
Tennis courts	10	10	10	10
Skateboard Park	1	1	1	1
Baseball/softball diamonds	11	11	11	11
Soccer fields	7	7	7	7
Water				
Miles of water lines	100	100	100	100
Storage capacity (thousands of gallons)	9,522,000	9,522,000	9,522,000	9,522,000

Note: n/a denotes information is not available.

Source: City of Martinez

Fiscal Year					
2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
37	37	37	37	37	37
122	122	122	122	122	122
5,017	5,017	5,017	5,017	5,017	5,017
265	265	265	265	265	265
17	17	17	17	17	17
271	271	271	271	271	271
14	14	14	14	14	14
9	9	9	9	9	9
12	12	12	12	12	12
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
10	10	10	10	10	10
1	1	1	1	1	1
11	11	11	11	11	11
7	7	7	7	7	7
100	100	100	100	100	100
9,522,000	9,522,000	9,522,000	9,522,000	9,522,000	9,922,000

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