



CITY OF  
ELK GROVE  
CALIFORNIA



ANNUAL FINANCIAL REPORT  
TO THE COMMUNITY  
FISCAL YEAR ENDED JUNE 30, 2014





## To the Residents of Elk Grove

The Finance Department is proud to present you with the City's Annual Financial Report to the Community for the fiscal year (FY) ended June 30, 2014. This report provides an overview of the City's financial condition and a brief analysis of where the City revenues are derived and where those dollars are spent.

Most of the information in this report is drawn from the financial information appearing in the FY 2013-14 Comprehensive Annual Financial Report (CAFR). The CAFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was audited by the City's independent auditors, receiving an unqualified (clean) opinion. While the financial data in this document is derived from GAAP data, the statistical, economic and demographic data are taken from various sources and are not GAAP-basis data.

We hope you will find this information to be interesting and informative. We welcome your comments and suggestions for future reports. Both the CAFR and this document are available for viewing at the local public libraries, City Hall and on the City's website at <http://www.elkgrovecity.org/finance/accounting-division/cafr>.

## City Overview

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

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



citywide (at-large) with the first mayoral election conducted November 6, 2012 and the elected Mayor sworn in December 2012. The four Council Members positions are also elected citywide (at-large) and each represent one of four council residency districts where the councilmember must reside within.

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

The region has continued to improve economically over the last year. Elk Grove has experienced improvement from a 6.7% unemployment rate in 2013 to a 5% unemployment rate in 2014.

The City realizes that development fuels job growth and as such has reduced and deferred much of the financial impact on development and continues to work with the development community towards sustainable solutions that promote growth while protecting the City's financial resources. In addition, the City is strategically planning for business market growth for the future. City staff continues to explore new methods of providing the highest level of service to our residents at the lowest possible cost.

The area south of Laguna Ridge and north of Kammerer Road is known as the Southeast Policy Area (SEPA). SEPA is approximately 1,200 acres that is primarily an agricultural use. The City, during Fiscal Year 2013-14 completed a draft Strategic Plan (including the Community Plan, Specific Plan Area, Master Plans and Environmental Impact Report) for SEPA. These planning efforts are being forwarded by the City to facilitate future development, in particular the areas designated as Employment Oriented Development. Since the close of the Fiscal Year those documents have become final and Council has directed that a financial plan would come back for Council consideration that could deliver the public infrastructure improvements.

## Financial Highlights for Fiscal Year 2014

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

Highlights of the City of Elk Grove's financial activities for the FY ending June 30, 2014 include:

- Total net position decreased \$20 million (primarily from depreciation and sale of Swainson Hawk Habitat Mitigation Land) from last year, a 1.6% decrease.
- Long-term liabilities decreased by \$5.1 million, a 4.2% decrease.
- Cash and investments comprised of \$174 million in the City treasury and nearly \$18 million of restricted cash held by fiscal agents.
- Net capital assets of \$1.2 billion include the City's entire infrastructure in addition to all other City assets.



## STATEMENT OF NET POSITION

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or weakening. During Fiscal Year 2014, the City continued to invest capital reserves into capital projects. The major factor in the decrease of the City's net position was the depreciation of City infrastructure which includes streets, sidewalks, drainage, traffic lights and the sale of the Swainson Hawk Habitat Mitigation Land. The City's streets continue to maintain an average Pavement Condition Index (PCI) of "good".

	2014	2013
<b>Assets</b>		
Current and other assets	\$ 289,908,100	\$ 269,993,405
Capital assets	1,154,290,958	1,191,065,715
<b>Total Assets</b>	<b>1,444,199,058</b>	<b>1,461,059,120</b>
<b>Deferred Outflow of Resources</b>		
Deferred amount on refunding	4,314,242	4,397,054
<b>Liabilities</b>		
Current and other liabilities	49,656,576	41,057,885
Long-term liabilities	115,960,949	121,052,589
<b>Total Liabilities</b>	<b>165,617,525</b>	<b>162,110,474</b>
<b>Net Position</b>		
Net investment in Capital assets <sup>1</sup>	1,062,004,377	1,099,827,779
Restricted net position <sup>2</sup>	186,903,329	180,771,790
Unrestricted net position <sup>3</sup>	33,988,069	22,746,581
<b>Total Net Position</b>	<b>\$ 1,282,895,775</b>	<b>\$ 1,303,346,150</b>

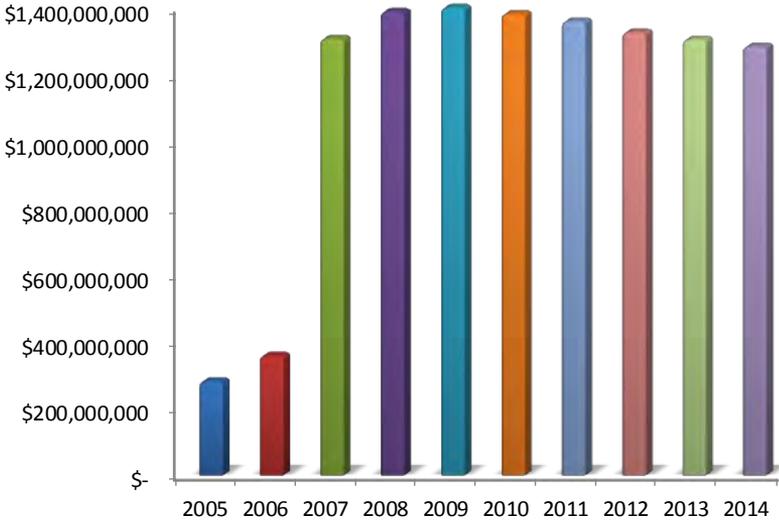
<sup>1</sup>Capital Assets less accumulated depreciation and the related debt.

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

<sup>3</sup>Portion of net assets available to meet City obligations in upcoming FY.



## Total Net Position For Last Ten Years



This chart shows that the City's net position has increased substantially since 2004. The dramatic increase from 2006 to 2007 reflects the capitalization of infrastructure—this was not reported prior to 2007. The assets are reported net of depreciation.

## Goals and Accomplishments

During the 2010-11 fiscal year the City Council, acting as the governing board of the Elk Grove Finance Authority (EGFA), authorized the issuance and sale of \$10,715,000 in Lease Revenue Bonds to begin construction of The Special Waste Collection Center (SWCC). The project also has funding from a Recovery Zone Economic Development subsidy where the city receives an annual subsidy payment from the Federal Government. The project includes the acquisition of land, furnishings and equipment related to the facility. Construction was completed during the last fiscal year and operations have commenced.

The City, during fiscal year 2013-14, continued Phase 1 of the Aquatic Center. The Aquatic Center will be a state of the art swim and diving competition facility, including a 10-meter dive tower, covered bleachers and lawn seating. Phase 1 included Schematic Design, Project Development Budget, Feasibility Study and development of a financial plan and was completed after the close of the fiscal year. Council has directed to move work forward on the Aquatic Center with a desired delivery date in 2016.





## STATEMENT OF ACTIVITIES

The Statement of Activities provides a record of the money received by the City and spent during the year. Explanations of specific Resources and Services are provided on the following pages. Overall, revenues and expenses have increased because of the change in the economy, increased grant awards and increased building which increases fees, receipts and expenses. The decrease in property taxes is due to a one time repayment in 2013 of property tax borrowed in 2009 by the State.

	2014	2013
<i>Revenues:</i>		
<i>Program revenues:</i> <sup>1</sup>		
Fees, fines and charges for services	\$ 41,607,945	\$ 38,036,365
Operating grants and contributions	43,687,467	36,769,605
Capital grants and contributions	10,639,110	2,502,248
	95,934,522	77,308,218
<i>General Revenues:</i> <sup>2</sup>		
Property taxes	10,810,340	11,189,041
Sales and use taxes	15,365,390	13,708,848
Other Taxes	13,751,448	13,301,758
Investment earnings	4,176,866	3,776,599
	44,104,044	41,976,246
<b>Total Revenues</b>	<b>140,038,566</b>	<b>119,284,464</b>
<i>Expenses:</i>		
General government	10,318,324	15,557,063
Public safety	33,121,110	31,181,737
Public ways and facilities	58,379,175	52,655,196
Community development	7,810,427	6,663,953
Interest on long-term debt	4,845,038	5,285,258
Solid Waste	13,106,912	11,881,280
Transit	9,589,073	9,515,572
Drainage	3,087,492	3,261,545
Revenue Neutrality	5,857,424	5,189,751
	<b>146,114,975</b>	<b>141,191,355</b>
<b>Total Expenses</b>	<b>146,114,975</b>	<b>141,191,355</b>
Change in Net Position	(20,450,375)	(21,906,891)
Net Position - Beginning, as previously reported	1,303,346,150	1,327,975,382
Cumulative Effect of Change in Accounting Principles <sup>3</sup>	-	(2,722,341)
Net Position - Beginning, as restated	\$ 1,303,346,150	\$ 1,325,253,041
Net Position - Ending	<b>\$ 1,282,895,775</b>	<b>\$ 1,303,346,150</b>

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

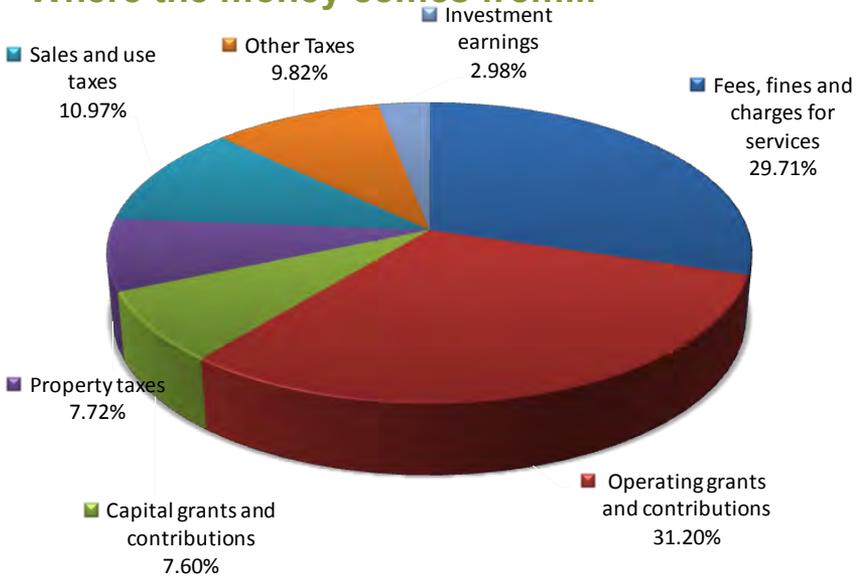
<sup>2</sup>All revenues that are not related to programs

<sup>3</sup>Change resulting from implementation of GASB 63&65

\*Detailed financial reports can be found in the City's FY 2013-14 CAFR available on the City's website at <http://www.elkgrovecity.org/finance/accounting-division/cafr>, City Hall or local public libraries.

# Revenues

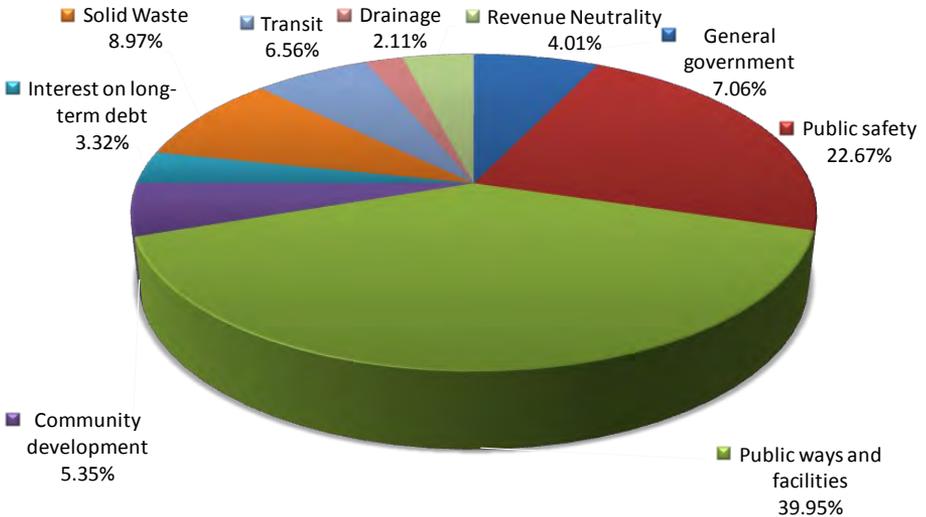
## Where the money comes from...



- Fees, fines and charges for services - payments received directly by the City for services performed. This would include fees such as utility payments, business license, development service and code enforcement fines.
- Operating grants and contributions - monies received from parties outside the City and are generally restricted to one or more specific programs. This would include items such as vehicle licensing fees from the State and Police Grants from other governmental agencies for public safety.
- Capital grants and contributions - monies received for capital purposes, to purchase, construct, or renovate capital assets associated with a specific program. This would include items such as Measure A financing for constructing roadways and highway interchanges.
- Property taxes - 5 to 6% of property tax collected by the County and allocated to the City. The City further shares 80% of the property taxes with the County of Sacramento per the Revenue Neutrality agreement implemented at incorporation that decreases to 75% in FY 2014-15. See expense on the following page.
- Sales and use taxes - 1% sales tax collected on retail sales in the City.
- Other Taxes - smaller taxes collected by the City such as Utility User Tax and Transient Occupancy
- Investment earnings - interest earned on investments of idle funds.
- Miscellaneous - any revenue that does not readily fit into a previously listed category.

# Expenses

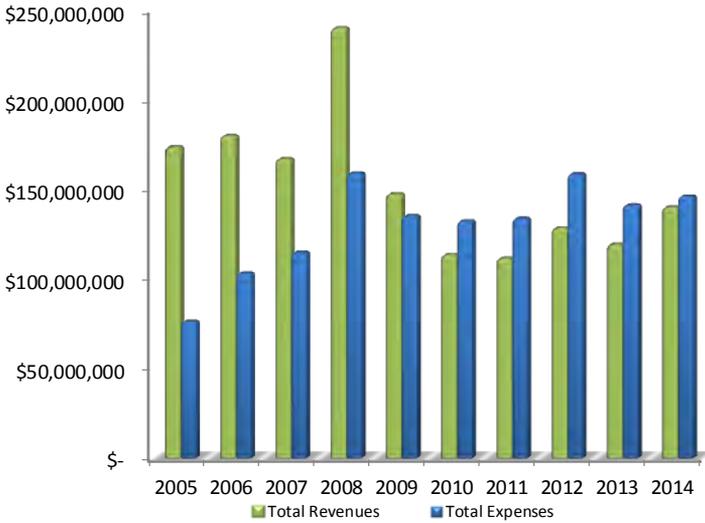
## Where the money goes...



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

\*Detailed financial reports can be found in the City's FY 2013-14. CAFR available on the City's website at <http://www.elkgrovecity.org/finance/accounting-division/cafr>, City Hall or local public libraries.

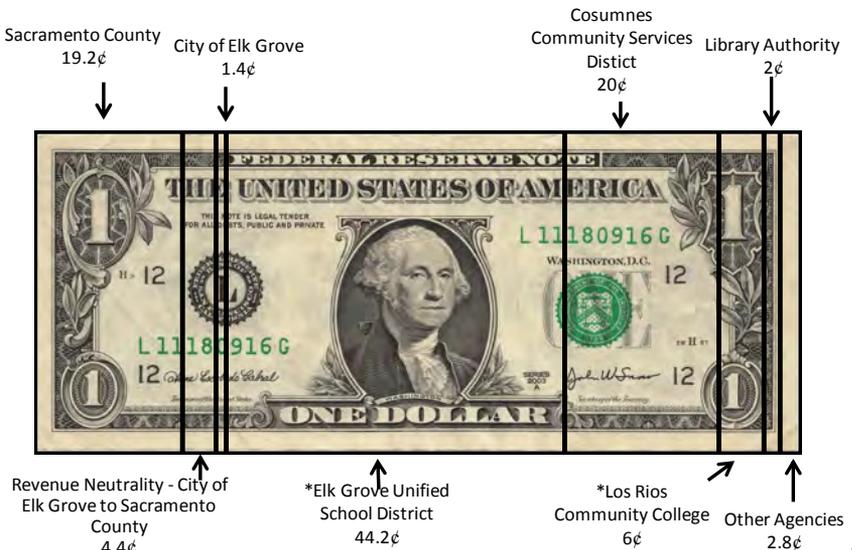
# Total Revenues & Expenses Last Ten Fiscal Years



The spike in revenue for 2008 is due to grants received for the two major interchanges. Expenses have exceeded revenues in the last several years because of investments in capital projects. Operational expenses balance each year with revenues.

## Where Your Property Tax Dollar Goes...

Revenue Neutrality—Property owners are levied one percent of appraised value for annual property tax payment. Of this payment, an average of 5.7 cents is allocated to the City annually to provide services. At incorporation, the City accepted that a portion of the property taxes generated within the boundary would be retained by the County to hold them revenue neutral. As a result, the City nets only 20% (25% in FY 2015) of those funds (1.4 cents of total tax payment) as available for services.



\*The dollar bill chart includes the Educational Revenue Augmentation Fund (ERAF) distribution.

# City of Elk Grove Facts\*

Population	160,688**	Area	42 square miles
Elevation	45 feet	Miles of Streets	555
Miles of Sidewalk	794	Streetlights	13,830
Traffic Signs	10,224	Manholes	8,490
Feet of Pipe	2,361,500	Storm Drain Inlets	14,907

## Averages

Low Temperature	24-44 degrees	Median Age	33.3 years
High Temperature	80-115 degrees		
Annual Precipitation	22" October to April		

\*Estimates

\*\*Population has increased 94% since the year of incorporation and 1% over the previous year. The City is the second largest incorporated city within Sacramento County.

## Current City Council as of December 31, 2014



Gary Davis  
Mayor



Steven Detrick  
Councilmember

District 3



Darren Suen  
Councilmember

District 1



Patrick Hume  
Vice Mayor

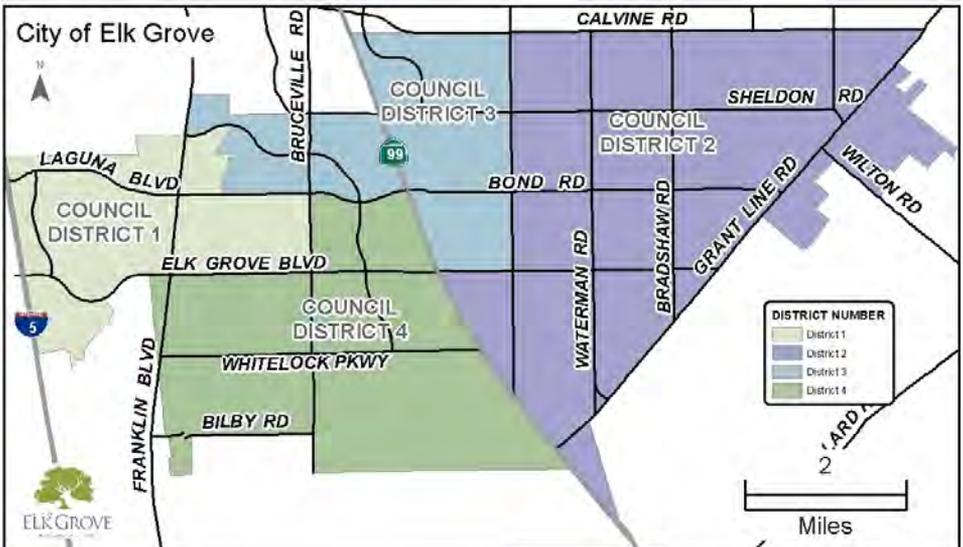
District 2



Steve Ly  
Councilmember

District 4

## City of Elk Grove Council District Map





Visit the City of Elk Grove Website at

<http://www.elkgrovecity.org>

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

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

**Financial Information**

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

**Online Services**

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



Government Finance Officers Association

**Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting**

Presented to

**City of Elk Grove  
California**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

*William P. Blinn*  
Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Elk Grove for its Popular Annual Financial Report for the fiscal year ended June 30, 2013. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

# **City of Elk Grove Finance Department**

8401 Laguna Palms Way  
Elk Grove, CA 95758  
(916)683-7111

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

