

**City of Sacramento
Annual Disclosure Report
Fiscal Year 2016/17**

| | |
|----------------------|---|
| Issue | City of Sacramento Water Revenue Bonds, Series 2013 |
| Par | \$215,195,000 |
| Issued | March 28, 2013 |
| CUSIP Numbers | 786089GA4 786089GY2 786089GB2 786089GC0 786089GD8 786089GE6 786089GF3 786089GZ9 786089GG1 786089GH9 786089GJ5 786089HA3 786089GK2 786089GL0 786089GM8 786089GN6 786089GP1 786089GQ9 786089GR7 786089GS5 786089GT3 |

Content of Annual Report

The City's Annual Report shall contain or incorporate by reference the following:

- (a) The City's comprehensive audited financial report for the prior fiscal year.**

The City's comprehensive Annual Financial Report (CAFR) for the prior fiscal year has been <http://www.cityofsacramento.org/Finance/Accounting/Reporting>

(b) An annual report updating the following tables contained in the Official Statement for the Series 2013 Bonds, dated March 28, 2013, to reflect actual results of the most recently completed fiscal year (projections need not be updated):

(1) Table 2 - Average Water Production

(2) Table 4 - Number of Connections by User Type

(3) Table 5 - Largest Users by Service Charge Revenues

(4) Table 7 - Selected Monthly Rates

(5) Table 8 - Uncollected Water System Charges

(5) Table 11 - Summary of Projected Operating Results (to be updated to show actual results of most recently completed fiscal year; projections of future fiscal years do not have to be updated or included in Annual Report.)

See Exhibit A - Table 2

See Exhibit B - Table 4

See Exhibit C - Table 5

See Exhibit D - Table 7

See Exhibit E - Table 8

See Exhibit F - Table 11

Voluntary Supplemental Information:

The following information is provided voluntarily and may or may not be provided in the future.

See Exhibit G - Outstanding Water Fund Debt Service

Exhibit A

Table 2
Average Water Production
Fiscal Year Ending June 30, 2017

| Water Source | Annual Production | Contribution Percentage | Average Daily Production Rate Over Year (MGD) | Max Month Average Daily Production Rate (MGD) |
|--|--------------------------|--------------------------------|--|--|
| Sacramento River Water Treatment Plant | 11,307 | 39.9% | 31 | 53 |
| Fairbairn Water Treatment Plant | 9,273 | 32.7% | 25 | 44 |
| Groundwater Wells | 7,774 | 27.4% | 21 | 19 |
| Total | 28,354 | 100% | 77 | 116 |

Notes: MG = million gallons; MGD = million gallons per day

Source: City of Sacramento

Exhibit B

Table 4
Number of Connections by User Type
(Fiscal Year Ending June 30)

| User Type | 2013 | 2014 | 2015 ⁽²⁾ | 2016 | 2017 |
|--------------------------------|---------|---------|---------------------|---------|---------|
| Residential | 126,376 | 126,557 | 126,624 | 126,973 | 127,810 |
| Commercial/Industrial | 8,977 | 9,033 | 9,118 | 9,157 | 11,428 |
| Total All Users ⁽¹⁾ | 135,353 | 135,590 | 135,742 | 136,130 | 139,238 |

(1) Total does not include the four outside wholesale accounts and one wheeling account.

(2) The number of connections reported in the FY15 CAFR was understated and was corrected in a prior disclosure.

Source: The City of Sacramento

Exhibit C

Table 5
City of Sacramento
Water System
Largest Users by Service Charge Revenues
Fiscal Year Ending June 30, 2017

| User | Service Charge Revenue | Percentage of System Revenue |
|---|-------------------------------|-------------------------------------|
| City of Sacramento | 3,098,099 | 2.85% |
| State of California | 948,141 | 0.87% |
| Sacramento Unified School District | 732,557 | 0.67% |
| Proctor and Gamble | 560,501 | 0.52% |
| Sacramento Housing and Redevelopment Agency | 513,847 | 0.47% |
| SMUD (Sacramento Power Authority) | 421,312 | 0.39% |
| DB RE California Residential 2 LLC | 317,271 | 0.29% |
| County of Sacramento | 308,607 | 0.28% |
| Ashley 2012 Family Trust | 297,348 | 0.27% |
| HP Hood LLC | 278,590 | 0.26% |

Total revenue of approximately \$108.8 million in fiscal year 2017.

Source: The City of Sacramento

Exhibit D

**Table 7
City of Sacramento
Water System Selected Monthly Rates**

| | <u>Rates Effective*</u> | | |
|--|-------------------------|--------------|--------------|
| | (Current) | | |
| | July 1, 2017 | July 1, 2018 | July 1, 2019 |
| Flat Water Rates (\$/month) | | | |
| Single Family Residential: | | | |
| 1-3 Rooms | 39.11 | 43.02 | 47.32 |
| 4-5 Rooms | 50.89 | 55.98 | 61.58 |
| 6-9 Rooms | 55.33 | 60.86 | 66.95 |
| 10-15 Rooms | 63.93 | 70.32 | 77.35 |
| Over 15, each additional room | 4.49 | 4.94 | 5.43 |
| Metered Water Use, Unit Rate: | | | |
| Water Usage Rates (\$/CCF): | 1.2055 | 1.3261 | 1.4587 |
| Service Charge (\$/month) | | | |
| Water Meter Size: | | | |
| 5/8" x 3/4" | 29.52 | 32.47 | 35.72 |
| 3/4" | 29.52 | 32.47 | 35.72 |
| 1" | 29.52 | 32.47 | 35.72 |
| 1 1/2" | 55.61 | 61.17 | 67.29 |
| 2" | 86.90 | 95.59 | 105.15 |
| <p>*On March 29, 2016, the City Council approved four-year rate increases for water (10% per year), to take effect on July 1, 2016, July 1, 2017, July 1, 2018, and July 1, 2019 respectively.</p> | | | |
| <p>Source: The City of Sacramento</p> | | | |

Exhibit E

Table 8
Uncollected Water System Charges
(Fiscal Year Ending June 30)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| City Water Charges | \$ 601,682 | \$ 391,558 | \$ 260,355 | \$ 250,470 | \$ 190,529 |

Source: The City of Sacramento

Exhibit F

Table 11
Actual Operating Results (in thousands)

| Actual Operating Results | Notes | 2016/17 |
|---|-------|--------------------|
| <u>Operating Revenues</u> | | |
| Utility Rate Fees | | \$ 108,431 |
| Wholesale Water Sales | | \$ 379 |
| Interest Earnings | 1) | \$ 562 |
| Miscellaneous Revenues | | \$ 2,992 |
| Total Operating Revenues: | | \$ 112,364 |
| <u>General Fund Tax Transfer Out:</u> | | |
| General Fund Tax | 2) | \$ (11,660) |
| System Net Revenues | | \$ 100,704 |
| <u>Maintenance and Operation Costs</u> | | |
| Employee Services | | \$ (33,671) |
| Services and Supplies | | \$ (22,415) |
| Total Maintenance and Operation Costs | | \$ (56,086) |
| (Deposit to) / Withdrawal From Rate Stabilization Fund: | 3) | \$ (3,514) |
| System Net Revenues | | \$ 41,104 |
| <u>Debt Service</u> | | |
| <u>Parity Obligations and Bonds</u> | | |
| California Department of Public Health Loan (ARRA Loan) | 5) | \$ (702) |
| Water Revenue Bonds, Series 2013 | | \$ (13,950) |
| Water Revenue Bonds, Series 2017 | | \$ - |
| Subtotal Parity Obligations and Bonds Debt Service | | \$ (14,652) |
| <u>Subordinate Obligations</u> | | |
| Subordinate Debt Service - (N/A at this time) | | \$ - |
| Subtotal Subordinate Obligations Debt Service | | \$ - |
| <u>Unsecured Obligations</u> | | |
| 2015 Refunding Revenue Bonds - Plant Expansion | 6) | \$ (6,900) |
| 2006 Capital Improvement Bond, Series E - Plant Expansion | | \$ (4,844) |
| Subtotal Unsecured Obligations Debt Service | | \$ (11,744) |
| Total Water Fund Debt Service (Parity/Bonds + Subordinate + Unsecured) | | \$ (26,396) |
| <u>Coverage Requirement Compliance</u> | | |
| Parity Obligations and Bonds (Requirement is 1.20 times) | | 2.805 x |
| Parity / Bonds + Subordinate Obligations + Unsecured Obligations (Requirement is 1.00 Times) | | 1.557 x |
| <u>Cash Funding of Facilities</u> | | |
| Capital Outlay (PayGo & Use of Water Fund Capital Reserve) | | \$ (8,205) |
| <u>Net Change to Fund Balance</u> | | |
| Beginning Water Fund Balance: | 7) | \$ 45,511 |
| Ending Water Fund Balance: | | \$ 45,276 |
| <u>Notes</u> | | |
| 1) Includes interest earnings/revenue associated with Water Development Fees Fund and the Water Use Fee Fund. | | |
| 2) The voter approved general fund tax is equal to 11% of the collected utility rate revenue. See "General Fund Tax on Water system Revenues" | | |
| 3) Adjustments to the Rate Stabilization Fund are estimated to result in the Rate Stabilization Fund being funded in an amount equal to 25% of all current maximum debt service (parity, subordinate and unsecured). | | |
| 4) In December 2017, City obtained \$173.1 million in funding from the California State Water Resources Control Board's Drinking Water State Revolving Fund. Debt service related to this obligation will be reported for period ending June 30, 2018. | | |
| 5) Pursuant to the terms of the Funding Agreement between the California Department of Public Health and the City, deposits to the reserve fund must be made over the first ten years of the loan repayment term. The amounts shown here include \$31,926.47 per semiannual payment for this purpose. Balance as of June 30, 2017 equals \$285,800.99. | | |
| 6) Existing payments by the Water Fund to the City's General Fund to cover existing general fund debt for water-related facilities associated with the City's Master Lease revenue Bond Program. The Water Fund revenue is utilized, but not directly pledged, to make debt service payments. | | |
| 7) The Beginning Unrestricted Fund Balance is based on the City's budgetary basis of accounting which treats purchase order encumbrances and multi-year project appropriations as expended in the year appropriated. As a result, the Beginning Unrestricted Fund Balance is significantly lower than the unrestricted cash and investments reported in the City's Comprehensive Annual Financial Report. | | |

Exhibit G
Outstanding Water Fund Debt Service
Fiscal Year Ending June 30, 2017

| Fiscal Year | Parity Obligations and Bonds* | | | Unsecured Obligations*** | | Total Obligations and Bonds |
|-------------|-------------------------------|---------------|--------------------------|--------------------------------|--|-----------------------------|
| | 2013 Water Revenue Bonds | ARRA Loan | 2017 Water Revenue Bonds | 2015 Refunding Revenue Bonds** | 2006 Capital Improvement Revenue Bonds, Series E | |
| FY18 | 14,017,500.00 | 702,382.25 | 1,805,535.31 | 6,895,975.00 | 4,844,583.90 | 28,265,976.46 |
| FY19 | 14,014,750.00 | 702,382.25 | 3,375,787.50 | 6,884,300.00 | 4,844,583.90 | 29,821,803.65 |
| FY20 | 14,017,000.00 | 702,382.25 | 3,375,537.50 | 6,877,775.00 | 4,844,583.90 | 29,817,278.65 |
| FY21 | 14,013,500.00 | 702,382.25 | 3,378,162.50 | 6,863,825.00 | 4,844,583.90 | 29,802,453.65 |
| FY22 | 14,013,625.00 | 702,382.25 | 3,378,537.50 | 6,854,375.00 | 4,844,583.90 | 29,793,503.65 |
| FY23 | 14,016,625.00 | 670,455.79 | 3,376,662.50 | | 11,087,408.10 | 29,151,151.39 |
| FY24 | 14,015,125.00 | 638,529.32 | 3,377,412.50 | | 11,081,158.50 | 29,112,225.32 |
| FY25 | 14,015,750.00 | 638,529.32 | 3,375,662.50 | | 11,071,460.71 | 29,101,402.53 |
| FY26 | 14,014,625.00 | 638,529.32 | 3,376,287.50 | | 11,062,328.31 | 29,091,770.13 |
| FY27 | 14,016,125.00 | 638,529.32 | 3,379,037.50 | | 11,047,940.90 | 29,081,632.72 |
| FY28 | 14,017,750.00 | 638,529.32 | 3,378,787.50 | | 11,041,887.96 | 29,076,954.78 |
| FY29 | 14,016,500.00 | 638,529.32 | 3,375,537.50 | | 11,028,256.96 | 29,058,823.78 |
| FY30 | 14,013,375.00 | 638,529.32 | 3,379,037.50 | | 11,011,061.50 | 29,042,003.32 |
| FY31 | 14,017,375.00 | 638,529.32 | 3,379,037.50 | | 10,998,844.00 | 29,033,785.82 |
| FY32 | 14,017,500.00 | 638,529.32 | 3,375,537.50 | | 10,985,267.81 | 29,016,834.63 |
| FY33 | 14,013,000.00 | 319,264.68 | 3,378,287.50 | | 10,969,043.36 | 28,679,595.54 |
| FY34 | 14,017,750.00 | | 3,377,037.50 | | | 17,394,787.50 |
| FY35 | 14,015,625.00 | | 3,376,662.50 | | | 17,392,287.50 |
| FY36 | 14,015,625.00 | | 3,376,312.50 | | | 17,391,937.50 |
| FY37 | 14,016,500.00 | | 3,376,612.50 | | | 17,393,112.50 |
| FY38 | 14,017,000.00 | | 3,378,812.50 | | | 17,395,812.50 |
| FY39 | 14,015,875.00 | | 3,377,237.50 | | | 17,393,112.50 |
| FY40 | 14,016,750.00 | | 3,375,862.50 | | | 17,392,612.50 |
| FY41 | 14,013,250.00 | | 3,378,987.50 | | | 17,392,237.50 |
| FY42 | 14,013,875.00 | | 3,376,362.50 | | | 17,390,237.50 |
| FY43 | 14,016,875.00 | | 3,377,737.50 | | | 17,394,612.50 |
| FY44 | | | 3,374,406.25 | | | 3,374,406.25 |
| FY45 | | | 3,375,687.50 | | | 3,375,687.50 |
| FY46 | | | 3,374,225.00 | | | 3,374,225.00 |
| FY47 | | | 3,374,625.00 | | | 3,374,625.00 |
| FY48 | | | 3,376,362.50 | | | 3,376,362.50 |
| Total | 364,409,250.00 | 10,248,395.60 | 103,111,779.06 | 34,376,250.00 | 145,607,577.61 | 657,753,252.27 |

*In December 2017, City obtained \$173.1 million in funding of parity obligation bonds from the California State Water Resources Control Board's Drinking Water State Revolving Fund. Debt service related to this obligation will be reported for period ending June 30, 2018.

**The 2005 Refunding Revenue Bonds was refunded with 2015 Revenue Bonds in December 2015.

***Unsecured Obligations represent the appropriated amount of debt from certain financing and are obligations of the City's General Fund.