

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

**\$25,390,000**  
**LODI PUBLIC FINANCING AUTHORITY**  
**2020 REFUNDING WATER REVENUE BONDS, SERIES A**

**Dated: Date of Delivery**

**Due: June 1, as shown on inside cover**

**Authority for Issuance.** The 2020 Refunding Water Revenue Bonds, Series A (the "2020 Bonds") are being issued by the Lodi Public Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on March 4, 2020, and an Indenture of Trust dated as of April 1, 2020 (the "Indenture") by and between the Authority and MUFJ Union Bank, N.A., as trustee for the 2020 Bonds (the "Trustee"). See "INTRODUCTION – General."

**Use of Proceeds.** The proceeds of the 2020 Bonds will be used to (i) redeem all of the outstanding \$29,650,000 principal amount of Lodi Public Financing Authority 2010 Water Revenue Bonds, Series B (Federally Taxable - Build America Bonds -Direct Payment) (the "Refunded Bonds") and the corresponding portion of the related installment payment obligation of the City of Lodi (the "City"); and (ii) pay the costs of issuing the 2020 Bonds. See "THE REFINANCING PLAN."

**Security for the 2020 Bonds.** Under the Indenture, the 2020 Bonds will be payable solely from and secured by Authority Revenues and certain funds and accounts held under the Indenture. Authority Revenues consist primarily of installment payments ("2020 Installment Payments") to be made by the City pursuant to an Installment Sale Agreement dated as of April 1, 2020 (the "2020 Installment Sale Agreement") between the City and the Authority. The obligation of the City to make the 2020 Installment Payments is a special obligation of the City that is secured by a pledge of, and payable from, Net Revenues relating to the City's water system (the "Water System"). The general fund of the City is not liable for, and neither the faith and credit nor the taxing power of the City is pledged to, the payment of the 2020 Installment Payments.

No debt service reserve fund is being established in connection with the issuance of the 2020 Bonds.

The City is authorized under the 2020 Installment Sale Agreement to incur other obligations payable from Net Revenues on a parity basis with the 2020 Installment Payments and any obligations issued or incurred by the City, the payment of which constitutes a charge and lien on the Net Revenues equal to and on a parity basis with the charge and lien upon the Net Revenues for the payment of the 2020 Installment Payments ("Parity Debt"). The 2020 Installment Payments are secured by and payable from Net Revenues on a parity basis with installment payments payable under an outstanding installment sale agreement (the "2010A Installment Payments"), which are payable through June 1, 2021. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS" and "THE WATER SYSTEM."

**Bond Terms; Book-Entry Only.** The 2020 Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2020, and will be issued in fully-registered form without coupons in integral multiples of \$5,000. The 2020 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the 2020 Bonds will not receive certificates representing their interests in the 2020 Bonds. Payments of the principal of, premium, if any, and interest on the 2020 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2020 Bonds. See "THE 2020 BONDS – General."

**Redemption.** The 2020 Bonds are subject to redemption prior to maturity. See "THE 2020 BONDS – Redemption."

NEITHER THE 2020 BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE 2020 BONDS, CONSTITUTES A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2020 BONDS ARE SECURED SOLELY BY THE PLEDGE OF AUTHORITY REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2020 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. THE 2020 INSTALLMENT PAYMENTS ARE PAYABLE ONLY FROM NET REVENUES OF THE WATER SYSTEM.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF 2020 BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2020 BONDS.

The 2020 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney and Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel to the City, for the Authority by the City Attorney, and for the Underwriter by Kutak Rock LLP, Los Angeles, California. It is anticipated that the 2020 Bonds will be delivered in book-entry form through the facilities of DTC on or about April 29, 2020.

**\$25,390,000**  
**LODI PUBLIC FINANCING AUTHORITY**  
**2020 REFUNDING WATER REVENUE BONDS, SERIES A**

MATURITY SCHEDULE  
(Base CUSIP: 540257)

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP <sup>†</sup>
2022	\$930,000	4.000%	1.320%	105.502	AU6
2023	970,000	4.000	1.350	107.989	AV4
2024	1,005,000	4.000	1.350	110.506	AW2
2025	1,045,000	4.000	1.360	112.936	AX0
2026	1,085,000	4.000	1.440	114.871	AY8
2027	1,125,000	4.000	1.500	116.751	AZ5
2028	1,170,000	4.000	1.590	118.223	BA9
2029	1,215,000	4.000	1.720	119.107	BB7
2030	1,260,000	4.000	1.790	120.314	BC5
2031	1,305,000	4.000	1.940	118.791*	BD3
2032	1,355,000	4.000	2.090	117.291*	BE1
2033	1,410,000	4.000	2.240	115.812*	BF8
2034	1,465,000	4.000	2.330	114.935*	BG6
2035	1,520,000	4.000	2.380	114.452*	BH4
2036	1,585,000	4.000	2.460	113.683*	BJ0
2037	1,640,000	4.000	2.510	113.205*	BK7
2038	1,700,000	4.000	2.570	112.635*	BL5
2039	1,770,000	4.000	2.610	112.257*	BM3
2040	1,835,000	3.000	3.050	99.251	BN1

\*Priced to par call date of June 1, 2030.

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**LODI PUBLIC FINANCING AUTHORITY  
CITY OF LODI**

**AUTHORITY BOARD/CITY COUNCIL**

Doug Kuehne, Mayor/Member  
Alan Nakanishi, Mayor Pro Tem/Member  
Bob Johnson, Councilmember/ Member  
JoAnne Mounce, Councilmember/ Member  
Mark Chandler, Councilmember/ Member

**AUTHORITY/CITY OFFICIALS**

Stephen Schwabauer, City Manager/Executive Director  
Andrew Keys, Deputy City Manager/Treasurer  
Janice D. Magdich, City Attorney/Authority Counsel  
Charles Swimley, Public Works Director

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**BOND AND DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
San Francisco, California

**MUNICIPAL ADVISOR**

Fieldman, Rolapp & Associates, Inc.  
Irvine, California

**TRUSTEE**

MUFG Union Bank, N.A.  
San Francisco, California

**ESCROW BANK**

The Bank of New York Mellon Trust Company, N.A.  
San Francisco, California

**VERIFICATION AGENT**

Causey Demgen & Moore P.C.  
Denver, Colorado

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2020 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2020 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City, the Authority, or any other parties described in this Official Statement.

**Use of this Official Statement.** This Official Statement is submitted in connection with the sale of the 2020 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2020 Bonds.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Document References and Summaries.** All references to and summaries of the Indenture, the Installment Sale Agreement, or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the 2020 Bonds have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or the Securities Exchange Act of 1934, as amended (the "**Securities Exchange Act**"), in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act and Section 3(a)(12) of the Securities Exchange Act.

**Stabilization of Prices.** In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the 2020 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2020 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE CITY NOR THE AUTHORITY PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**Website.** The City maintains a website; however, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2020 Bonds.

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## OFFICIAL STATEMENT

**\$25,390,000**  
**LODI PUBLIC FINANCING AUTHORITY**  
**2020 REFUNDING WATER REVENUE BONDS, SERIES A**

### INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See “APPENDIX D – Summary of Principal Legal Documents.”

#### General

The Lodi Public Financing Authority (the “**Authority**”) is issuing its 2020 Refunding Water Revenue Bonds, Series A (the “**2020 Bonds**”) under Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, commencing with Section 6584 (the “**Bond Law**”), a resolution adopted by the Board of Directors (the “**Board**”) of the Authority on March 4, 2020 (the “**Authority Resolution**”), a resolution adopted by the City Council (the “**City Council**”) of the City of Lodi (the “**City**”) on March 4, 2020 (the “**City Resolution**”), and an Indenture of Trust (the “**Indenture**”), dated as of April 1, 2020, by and between the Authority and MUFG Union Bank, N.A., as trustee (the “**Trustee**”). The 2020 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“**DTC**”), or its nominee, which will act as securities depository for the 2020 Bonds. Purchasers of the 2020 Bonds will not receive certificates representing the 2020 Bonds that are purchased. See “THE 2020 Bonds – Book-Entry Only System” and “APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The 2020 Bonds are being issued to provide funds to (i) redeem all of the outstanding \$29,650,000 principal amount of the Lodi Public Financing Authority’s 2010 Water Revenue Bonds, Series B (Federally Taxable - Build America Bonds - Direct Payment) (the “**Refunded Bonds**”) and a related installment payment obligation of the City; and (ii) pay the costs of issuing the 2020 Bonds. The City is not refinancing the portion of its installment payment obligation (the “**2010A Installment Payments**”) attributable to the Lodi Public Financing Authority’s 2010 Water Revenue Bonds, Series A (the “**2010A Bonds**”) or causing a redemption of the 2010A Bonds. The Refunded Bonds and the 2010A Bonds are referred to herein as the “**2010 Bonds**.” See “THE REFINANCING PLAN.”

#### Security for the 2020 Bonds

Under the Indenture, the 2020 Bonds will be payable solely from and secured by Authority Revenues and certain funds and accounts held under the Indenture. Authority Revenues consist primarily of 2020 Installment Payments (“**2020 Installment Payments**”) to be made by the City pursuant to an Installment Sale Agreement dated as of April 1, 2020 (the “**2020 Installment Sale**”).

**Agreement**"). The obligation of the City to make the 2020 Installment Payments is a special obligation of the City that is secured by a pledge of and payable from Net Revenues (as defined herein) relating to the City's water system (the "**Water System**"). The general fund of the City is not liable for, and neither the faith and credit nor the taxing power of the City is pledged to, the payment of the 2020 Installment Payments.

**The obligation of the City to make the 2020 Installment Payments does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.**

**NEITHER THE 2020 BONDS NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE 2020 BONDS CONSTITUTES A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2020 BONDS ARE SECURED SOLELY BY THE PLEDGE OF AUTHORITY REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2020 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER.**

#### **Outstanding Parity Debt**

The 2020 Installment Payments are on parity with the 2010A Installment Payments; the 2010A Installment Payments are used to pay debt services on the 2010A Bonds, which are not being refunded by the 2020 Bonds and will remain outstanding. The outstanding 2010A Bonds mature on June 1, 2021.

#### **Additional Parity Debt**

The City may incur additional obligations payable from and secured by the Net Revenues on parity with the 2020 Installment Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS – Additional Parity Obligations". The 2020 Installment Payments and any future obligations payable from Net Revenues on a parity with the 2020 Installment Payments constitute "**Parity Debt.**"

#### **No Reserve Account**

No debt service reserve account has been established with respect to the 2020 Bonds. The Authority and the City have reserved the right to establish, fund and replenish from Net Revenues, or obtain any debt service reserve fund surety or guarantee reimbursable from Net Revenues for, debt service reserves for Parity Debt. Such reserves, if established, will not be available to pay the 2020 Bonds, and Owners of the 2020 Bonds will have no claim or lien on such reserves and the amounts on deposit therein.

#### **Rate Covenant**

The City covenants in the 2020 Installment Sale Agreement that it will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each fiscal year that are sufficient to satisfy specific obligations of the Water System and provide certain coverage on the 2020 Installment Payments and any Parity Debt becoming due and payable in such fiscal year. See "SECURITY FOR THE 2020 BONDS – Rate Covenant."

## **The Water System**

The Water System consists of approximately 240 miles of water pipes ranging in diameter from two to 30 inches, 28 groundwater wells, a surface water treatment plant, and three storage facilities. The distribution system currently serves over 26,500 residential, commercial, and industrial customers, covering substantially all of the population of the City.

## **Other Matters**

The summaries of and references to documents, statutes, reports and other instruments referred to in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined in this Official Statement indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. See "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

## THE REFINANCING PLAN

The 2020 Bonds are being issued to provide funds to (i) refinance the Refunded Bonds and the corresponding portion of the related installment payment obligation of the City, and (ii) pay the costs of issuing the 2020 Bonds.

The Refunded Bonds, together with the 2010A Bonds, were issued for the purpose of (i) financing the acquisition and construction of improvements to the Water System (the “**2010 Water Projects**”), (ii) funding a deposit in a debt service reserve account for the 2010 Bonds, and (iii) paying the costs of issuance of the 2010 Bonds and certain related costs. The Refunded Bonds consist of the amounts set forth in the following table.

### 2010 Water Revenue Bonds, Series B (Federally Taxable - Build America Bonds - Direct Payment)

Maturity Date (June 1)	Outstanding Principal Amount	Interest Rate	Redemption Price	Redemption Date	CUSIP <sup>†</sup>
2022	\$1,075,000	5.014%	100%	June 1, 2020	540257AL6
2023	1,115,000	5.214	100	June 1, 2020	540257AM4
2024	1,150,000	5.414	100	June 1, 2020	540257AN2
2025	1,190,000	5.614	100	June 1, 2020	540257AP7
2030*	6,705,000	6.387	100	June 1, 2020	540257AQ5
2040*	18,415,000	6.637	100	June 1, 2020	540257AR3
TOTAL	\$29,650,000				

\* Term Bond.

Upon the execution and delivery of the 2020 Bonds, a portion of the proceeds and available moneys from the Refunded Bonds shall be applied to the purchase of certain direct obligations of the United States of America, which, along with uninvested cash and earnings on the obligations, will be sufficient to pay accrued interest on the Refunded Bonds through June 1, 2020 and to redeem the outstanding Refunded Bonds on June 1, 2020 (the “**Redemption Date**”). These direct obligations and uninvested cash shall be deposited in an escrow account held by The Bank of New York Mellon Trust Company, N.A., as escrow agent for the Refunded Bonds (the “**Escrow Agent**”) under an escrow deposit and trust agreement (the “**Escrow Agreement**”).

For information on mathematical verification for the sufficiency of scheduled payments with respect to such obligations of the United States of America and other funds held by the Escrow Agent to make such payments with respect to the Refunded Bonds, see “VERIFICATION OF MATHEMATICAL COMPUTATIONS.” Upon such irrevocable deposit with the Escrow Agent and the receipt by the Escrow Agent of irrevocable escrow instructions from the City under the Escrow Agreement, the Refunded Bonds will be defeased and the owners of the Refunded Bonds will no longer be entitled to the benefits of the legal documents under which they were executed and delivered.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. The City and the Underwriter do not assume any responsibility for the accuracy of such numbers.

The amounts held and invested by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Refunded Bonds. Neither the funds deposited in the Escrow Fund nor the interest on the invested funds will be available for the payment of debt service on the 2020 Bonds.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the 2020 Bonds and the Refunded Bonds are as follows:

**Sources:**

Principal Amount	\$25,390,000.00
<i>Plus</i> Net Original Issue Premium	3,412,913.30
<i>Less</i> Underwriter's Discount	62,555.86
<i>Plus</i> Available Funds Relating to the Refunded Bonds	2,050,994.48
<b>Total Sources</b>	<hr/> \$30,791,351.92

**Uses:**

Deposit to Escrow Fund	\$30,593,565.26
Costs of Issuance <sup>(1)</sup>	197,786.66
<b>Total Uses</b>	<hr/> \$30,791,351.92

<sup>(1)</sup> Represents funds to be used to pay costs of issuance, which include legal fees, Municipal Advisor fees, printing costs, rating agency fees and other miscellaneous expenses.

## THE 2020 BONDS

*This section provides summaries of the 2020 Bonds and certain provisions of the Indenture. See APPENDIX D for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX D.*

### General

**Bond Terms.** The 2020 Bonds will be dated their date of delivery and issued in fully registered form without coupons in integral multiples of \$5,000. The 2020 Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

**Payments of Principal and Interest.** Interest on the 2020 Bonds will be payable on June 1 and December 1 in each year, beginning June 1, 2020 (each an “**Interest Payment Date**”). Principal on the 2020 Bonds will be payable on June 1 in the amounts and in the years set forth on the inside front cover of this Official Statement.

While the 2020 Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to the 2020 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2020 Bonds. See APPENDIX G – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Interest on the 2020 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless: a 2020 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date; a 2020 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date; or interest on any 2020 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Principal and premium, if any, with respect to each 2020 Bond is payable upon surrender of such Bond at the Office of the Trustee in San Francisco, California, upon maturity or the earlier redemption thereof. The principal of, premium, if any, and interest on the 2020 Bonds will be payable in lawful money of the United States of America. Interest with respect to the 2020 Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months.

### Transfer, Registration and Exchange

See “APPENDIX D – Summary of Principal Legal Documents” for a description of the provisions of the Indenture relating to the transfer, registration and exchange of the 2020 Bonds.

### Redemption

The 2020 Bonds maturing on or before June 1, 2030, are not subject to optional redemption prior to their respective stated maturity dates. The 2020 Bonds maturing on or after June 1, 2031, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and within a maturity as set forth in the Indenture, at the option of the Authority, on any date on or after June 1, 2030, from any

available source of funds, at a redemption price equal to 100% of the principal amount of the 2020 Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

### **Selection of Bonds for Redemption**

Whenever provision is made in the Indenture for the redemption of less than all of the 2020 Bonds of a single maturity,(a) for any period in which the 2020 Bonds are not held by a Depository, the Trustee shall select the 2020 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate and (b) so long as the 2020 Bonds are held by a Depository, the Depository shall select the 2020 Bonds of that maturity or series in accordance with its rules and procedures. For purposes of such selection, the Trustee shall treat each 2020 Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate 2020 Bond.

### **Notice of Redemption; Rescission**

The Trustee shall mail notice of redemption of the 2020 Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the 2020 Bonds (or all 2020 Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all 2020 Bonds within a maturity are called for redemption) 2020 Bond numbers of the 2020 Bonds to be redeemed and the maturity or maturities of the 2020 Bonds to be redeemed, and in the case of 2020 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said 2020 Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2020 Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of 2020 Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority may send a redemption notice stating that the redemption is conditional upon the Authority receiving sufficient funds to pay the redemption price on the proposed redemption date. The Authority has the right to rescind any notice of the optional redemption of 2020 Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption may provide that it is subject to rescission as described in this paragraph. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2020 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the 2020 Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

## **Effect of Redemption**

Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the 2020 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2020 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2020 Bonds so called for redemption shall cease to accrue, said 2020 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2020 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

## **Book-Entry Only System**

The 2020 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the integral multiples of \$5,000, under the book-entry system maintained by DTC. While the 2020 Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2020 Bonds. Purchasers of the 2020 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See "APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM" for further information regarding DTC and the book-entry system.

## DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the 2020 Bonds, assuming no optional redemption.

Year Ending <u>June 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	--	\$88,644.44	\$88,644.44
2021	--	997,250.00	997,250.00
2022	\$930,000.00	997,250.00	1,927,250.00
2023	970,000.00	960,050.00	1,930,050.00
2024	1,005,000.00	921,250.00	1,926,250.00
2025	1,045,000.00	881,050.00	1,926,050.00
2026	1,085,000.00	839,250.00	1,924,250.00
2027	1,125,000.00	795,850.00	1,920,850.00
2028	1,170,000.00	750,850.00	1,920,850.00
2029	1,215,000.00	704,050.00	1,919,050.00
2030	1,260,000.00	655,450.00	1,915,450.00
2031	1,305,000.00	605,050.00	1,910,050.00
2032	1,355,000.00	552,850.00	1,907,850.00
2033	1,410,000.00	498,650.00	1,908,650.00
2034	1,465,000.00	442,250.00	1,907,250.00
2035	1,520,000.00	383,650.00	1,903,650.00
2036	1,585,000.00	322,850.00	1,907,850.00
2037	1,640,000.00	259,450.00	1,899,450.00
2038	1,700,000.00	193,850.00	1,893,850.00
2039	1,770,000.00	125,850.00	1,895,850.00
2040	1,835,000.00	55,050.00	1,890,050.00
<b>Total</b>	<b>\$25,390,000.00</b>	<b>\$12,030,444.44</b>	<b>\$37,420,444.44</b>

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS**

*This section provides summaries of the 2020 Bonds and certain provisions of the Indenture and 2020 Installment Sale Agreement. See APPENDIX D for a more complete summary of the Indenture and 2020 Installment Sale Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX D.*

*The principal of and interest on the 2020 Bonds are not a debt of the Authority (except to the limited extent described in this Official Statement) or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Net Revenues and other amounts pledged under the Indenture.*

### **Pledge of Authority Revenues**

The 2020 Bonds are payable from and secured by a pledge of Authority Revenues and certain funds and accounts established and held by the Trustee under the Indenture. Authority Revenues, as defined in the Indenture, mean (a) all of the 2020 Installment Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

THE 2020 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF AUTHORITY REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE 2020 INSTALLMENT PAYMENTS IS PAYABLE SOLELY FROM NET REVENUES RELATING TO THE CITY'S WATER SYSTEM AND MONEYS ON DEPOSIT IN ANY OF THE FUNDS AND ACCOUNTS ESTABLISHED AND HELD BY THE TRUSTEE UNDER THE INDENTURE TO SECURE THE 2020 INSTALLMENT PAYMENTS AND ANY PARITY DEBT. NEITHER THE 2020 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE 2020 INSTALLMENT PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS (INCLUDING ANY MEMBER OF THE AUTHORITY) IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

### **2020 Installment Payments**

The 2020 Installment Sale Agreement provides that the City's obligation to make the 2020 Installment Payments from Net Revenues and to perform and observe the other agreements contained therein are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the City or otherwise with respect to the Water System, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until all of the 2020 Installment Payments are fully paid or prepaid or provision is made for such payment in accordance with the terms of the 2020 Installment Sale Agreement, the City (a) will not suspend or discontinue payment of any 2020 Installment Payments, (b) will perform and observe all other agreements contained in the 2020 Installment Sale Agreement, and (c) will not terminate the 2020 Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in tax law or other laws of the United States of

America or the State of California or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or the 2020 Installment Sale Agreement.

Pursuant to the Indenture, the Authority transfers, assigns and sets over to the Trustee all of the 2020 Installment Payments and any and all rights, title, interest and privileges it has in, to and under the 2020 Installment Sale Agreement (other than its rights to expenses and indemnification), including without limitation, the right to collect and receive directly all of the 2020 Installment Payments and the right to enforce the provisions of the 2020 Installment Sale Agreement. The City consents to such assignment in the 2020 Installment Sale Agreement and agrees to make payments of the 2020 Installment Payments directly to the Trustee. Under the Indenture, The Trustee is also entitled to and shall, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the 2020 Installment Sale Agreement. The Trustee is entitled to indemnification and expenses before taking such action as provided in the Indenture.

The Indenture provides that all of the 2020 Installment Payments received by the Trustee shall be deposited immediately in the Bond Fund. All of the 2020 Installment Payments are to be held in trust by the Trustee for the benefit of the Owners of the 2020 Bonds and shall be disbursed and applied only as provided in the Indenture.

### **Pledge of Net Revenues**

Pursuant to the 2020 Installment Sale Agreement, all Net Revenues and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Indenture to secure the Installment Payments and any Parity Debt are irrevocably pledged to the payment of the 2020 Installment Payments, which pledge shall be on a parity with any pledge of Net Revenues securing Parity Debt.

“Gross Revenues” means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to connection charges (including the City’s impact mitigation fees) to the extent permitted by law, investment earnings thereon and the Refundable Credits under the 2010 Installment Sale Agreement; but excluding (a) the proceeds of any ad valorem property taxes levied for the purpose of paying general obligation bonds of the City relating to the Water System and (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City levied for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water System.

“Refundable Credits” under the 2010 Installment Sale Agreement, means the amounts (if any) which are payable to the issuer of Build America Bonds by the federal government under Section 6431 of the Tax Code, which the issuer of such Build America Bonds elects to receive under Section 54AA(g)(1) of the Tax Code.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Water System, including but not limited to (a) costs of acquisition of water to be supplied by the Water System, (b) costs of

electricity and other forms of energy supplied to the Water System, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and (d) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water System; but in all cases excluding (i) debt service payable on obligations incurred by the City with respect to the Water System, including but not limited to the 2020 Installment Payments and any Parity Debt, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

**The obligation of the City to make the 2020 Installment Payments is a special obligation of the City payable from the Net Revenues relating to the Water System, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.**

See “Outstanding Parity Debt” and “Additional Parity Debt” below.

#### **Rate Covenant**

The City covenants in the 2020 Installment Sale Agreement that it will, to the maximum extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year so as to yield:

(a) Gross Revenues for such Fiscal Year sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;

(ii) All 2020 Installment Payments and all payments of principal of and interest on any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent any of such payments are payable from bond proceeds or from any other source of legally available funds of the City which have been deposited with the Trustee for such purpose prior to the commencement of the related Fiscal Year;

(iii) All amounts, if any, required to restore the balance in the reserve accounts established for any Parity Debt to their required balances; and

(iv) All Additional Payments and other payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

(b) Net Revenues for such Fiscal Year equal to at least 125% of all 2020 Installment Payments and all payments of principal of and interest on any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent any of such payments are payable from bond proceeds or from any other source of legally available

funds of the City which have been deposited with the Trustee for such purpose prior to the commencement of the related Fiscal Year.

For purposes of this paragraph (b), the amount of Net Revenues for a Fiscal Year will be computed on the basis that any transfers into the Water System Fund in that Fiscal Year from the Rate Stabilization Fund are included in the calculation of Net Revenues, but only to the extent that the moneys transferred from the Rate Stabilization Fund would not otherwise constitute Gross Revenues for the Fiscal Year.

(c) Net Revenues for such Fiscal Year equal to at least 100% of the sum of (i) all 2020 Installment Payments and all payments of principal of and interest on any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent any of such payments are payable from bond proceeds or from any other source of legally available funds of the City which have been deposited with the Trustee for such purpose prior to the commencement of the related Fiscal Year and (ii) all amounts, if any, required to restore the balance in the reserve accounts established for any Parity Debt to their required balances.

For purposes of this paragraph (c), the amount of Net Revenues for a Fiscal Year will be computed on the basis that (A) any connection charges (including the City's impact mitigation fees) deposited into the Water System Fund in that Fiscal Year shall not be included in Net Revenues, (B) any transfers into the Water System Fund in that Fiscal Year from the Rate Stabilization Fund shall not be included in the calculation of Net Revenues, and (C) any deposits into the Rate Stabilization Fund in that Fiscal Year shall be included in the amount of Net Revenues, but only to the extent such deposits are made from Gross Revenues received by the City during that Fiscal Year.

For definitions of additional terms used in the 2020 Installment Sale Agreement and the Indenture, see "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – CERTAIN DEFINITIONS".

### **Rate Stabilization Fund**

Under the 2020 Installment Sale Agreement, the City has the right at any time to establish a rate stabilization fund (the "**Rate Stabilization Fund**") to be held by it and administered in accordance with the 2020 Installment Sale Agreement, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Water System. From time to time, the City may deposit amounts into the Rate Stabilization Fund from any source of legally available funds, including but not limited to Net Revenues that are released from the pledge and lien that secures the 2020 Bonds and any Parity Debt, as the City may determine.

The City may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts into the Water System Fund in any Fiscal Year for the purpose of paying the 2020 Installment Payments or the principal of and interest on any Parity Debt coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Water System Fund will constitute Gross Revenues for such Fiscal Year and will be applied for the purposes of the Water System Fund. Amounts on deposit in a Rate Stabilization Fund will not be pledged to or otherwise secure the 2020 Installment Payments or any Parity Debt. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the City, be applied for any other lawful purposes. The City has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the City.

## **Application of Revenues**

In order to carry out and effectuate the obligation of the City contained in the 2020 Installment Sale Agreement to pay the 2020 Installment Payments, the City agrees and covenants that all Gross Revenues, including, without limitation, Refundable Credits as defined in the 2010 Installment Sale Agreement (which Refundable Credits, if any, represent payments received with respect to the Refunded Bonds, which were issued as “Build America Bonds”; after the redemption of the Refunded Bonds, the City will no longer be entitled to receive Refundable Credits), shall be deposited when and as received in a special fund designated as the “Water System Fund”, which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as any 2020 Installment Payments remain unpaid.

Amounts on deposit in the Water System Fund will be applied by the City to pay when due the following amounts in the following order of priority:

- (i) all Operation and Maintenance Costs;
- (ii) the 2020 Installment Payments and all payments of principal of and interest on any Parity Debt;
- (iii) to the Trustee the amount of any deficiency in any reserve account established for Parity Debt, the notice of which deficiency has been sent to the City in accordance with the applicable provisions of the related Parity Debt Documents;
- (iv) any other payments required to comply with the provisions of the 2020 Installment Sale Agreement and any Parity Debt Documents; and
- (v) any other purposes authorized under the 2020 Installment Sale Agreement, including (A) the payment of any subordinate obligations or any unsecured obligations, (B) the acquisition and construction of improvements to the Water System, (C) the prepayment of any other obligations of the City relating to the Water System, or (D) any other lawful purposes of the City.

## **No Debt Service Reserve Fund**

No debt service reserve fund is being established in connection with the issuance of the 2020 Bonds. The Authority and the City have reserved the right to establish debt service reserves for any Parity Debt. See “INTRODUCTION – No Reserve Account.”

## **Outstanding Parity Debt**

Upon the issuance of the 2020 Bonds and the refunding of the Refunded Bonds and corresponding portion of the related installment payment obligation of the City, the only other outstanding obligations payable from Net Revenues on a parity with the 2020 Installment Payments will be the 2010A Installment Payments.

## **Additional Parity Debt**

The City is permitted under the 2020 Installment Sale Agreement to incur Parity Debt, subject to satisfaction of the following conditions.

(a) No Event of Default has occurred and is continuing (unless the Event of Default will be cured as a result of the issuance of the Parity Debt).

(b) The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the City for the most recent completed Fiscal Year for which audited financial statements are available, or for any more recent consecutive 12-month period selected by the City at its option, in either case verified by a certificate or opinion of an Independent Accountant or Fiscal Consultant, plus the Additional Revenues, at least equal 125% of the amount of Maximum Annual Debt Service with respect to the 2020 Installment Payments and all Parity Debt then outstanding (including the Parity Debt then proposed to be issued). For purposes of this paragraph, the amount of any Refundable Credits that the City expects to receive in a Fiscal Year will be excluded from the amount of Gross Revenues for such Fiscal Year, but will be included as a credit against the applicable amount of 2020 Installment Payments and principal of and interest on any Parity Debt coming due in such Fiscal Year. For purposes of this paragraph, the amount of Net Revenues for a Fiscal Year will be computed on the basis that any transfers into the Water System Fund in that Fiscal Year from the Rate Stabilization Fund are included in the calculation of Net Revenues (but only to the extent that the moneys transferred from the Rate Stabilization Fund would not otherwise constitute Gross Revenues for the applicable Fiscal Year).

(c) Except as provided in the next paragraph, upon the issuance of such Parity Debt a reserve fund will be established for such Parity Debt. The reserve fund which is established for an issue of Parity Debt will be required to be maintained in an amount which, together with the aggregate amount required to be on deposit in all of the reserve funds established for the 2020 Bonds and other outstanding Parity Debt, is at least equal to Maximum Annual Debt Service on the 2020 Installment Payments and all outstanding Parity Debt, taken as a whole (other than Parity Debt for which no reserve fund is established as described in the next paragraph).

In the event the City issues Parity Debt the purchaser of which does not require the establishment of a reserve fund, such Parity Debt may be issued without a reserve fund. However, in that event, such Parity Debt is not entitled to the security of amounts held in the reserve fund which is established for the 2020 Bonds (for which no reserve fund is being established) or for any other issue of Parity Debt, and such Parity Debt will be disregarded in determining the amount required to be maintained in any other reserve fund established for outstanding Parity Debt.

(d) The trustee or fiscal agent for such Parity Debt (except to the extent required to be a separate entity from the City or the Authority by the purchaser of such Parity Debt) is the same entity performing the functions of Trustee under the Indenture.

(e) The City must deliver to the Trustee a Written Certificate of the City certifying that the conditions precedent to the issuance of such Parity Debt set forth in the 2020 Installment Sale Agreement have been satisfied.

### **Subordinate Obligations**

The 2020 Installment Sale Agreement permits the City to incur obligations which are unsecured or which are payable from Net Revenues on a subordinate basis to the 2020 Installment Payments and any future Parity Debt. There currently are no outstanding subordinate obligations.

## THE WATER SYSTEM

### General

The City is a general law city in the State of California incorporated in 1906. The City is located in the San Joaquin Valley of California, 35 miles south of the State capital of Sacramento, and 90 miles east of San Francisco.

The City operates under a City Council-Manager form of government and provides the following services: public safety (police, fire and graffiti abatement), public utilities services (electric, water and sewer), transportation services (streets, flood control and transit), leisure, cultural and social services (parks and recreation, library, and community center), and general government services (management, human resources administration, financial administration, building maintenance and equipment maintenance).

As of January 1, 2019, the City had an estimated population of 68,272 within an area of approximately 14 square miles.

See “APPENDIX A – GENERAL DEMOGRAPHIC INFORMATION ABOUT THE CITY OF LODI AND SAN JOAQUIN COUNTY.”

### Governance and Management

The City is governed by a five-member City Council. The City is converting to District elections, which started in November of 2018 and concludes with the seats open in 2020. Each council member is elected for four years with staggered terms.

The current City Council members and the expiration dates of their terms are set forth below.

<b>Council Member</b>	<b>Title</b>	<b>Expiration of Term</b>
Doug Kuehne	Mayor	November 2022
Alan Nakanishi	Mayor Pro Tem	November 2022
Bob Johnson	Councilmember	November 2020
JoAnne Mounce	Councilmember	November 2020
Mark Chandler	Councilmember	November 2022

*Stephen Schwabauer, City Manager*, was appointed to the position by the City Council on June 5, 2014 after serving five-months as the Interim Manager. He had been City Attorney from 2004 to 2014, and Deputy City Attorney from 2000 to 2004. During his tenure as City Attorney, Schwabauer negotiated the resolution of a multimillion dollar groundwater contamination action and associated financing scheme. Schwabauer also led labor negotiations for much of his tenure as City Attorney and developed significant experience with budget operations and employee relations. Schwabauer earned his Bachelor of Arts degree from U.C. Davis in 1990 and his law degree from U.C. Berkeley in 1994.

*Andrew Keys, Deputy City Manager/Internal Services Director*, has been the City’s Deputy City Manager/Internal Services Director since March 27, 2017. As the City’s administrative second-in-command, Keys oversees the City’s Finance, Budget and Treasury, Information Systems and Human Resources functions. Keys came to the City after a 9-year career with the City of Elk Grove, California. In Elk Grove, he served in various roles within the finance

department, including Analyst, Accounting Manager and Budget Manager, as well as within administration serving as Assistant to the City Manager and Deputy City Manager. Keys began his career in the municipal finance sector with KNN Public Finance where he served for a year as an Analyst after receiving his Bachelor of Arts degree in International Relations from U.C. Davis in 2006. He later received his Master's degree in Business Administration from U.C. Davis in 2013.

*Charles Swimley, Public Works Director*, began his tenure with the City in 2001 as Senior Civil Engineer, was promoted to Water Services Manager in 2006, then Deputy Director of Utilities in 2010 where he oversaw wastewater collection and treatment, water production and distribution and street maintenance. In 2012, Swimley was promoted to City Engineer until his appointment to Public Works Director in April 2016. Swimley, a registered civil engineer since 1994, earned his Bachelor of Science degree from California State University, Sacramento.

## **Employees**

As of July 1, 2019, the City had 57.3 full-time equivalent employee positions budgeted for the Water System and the City's wastewater system (the "**Wastewater System**"). Generally, employees work in both systems and are not specifically assigned to one system. The allocation is 50% to each system. Employees of the Water System and the Wastewater System are represented by the American Federation of State, County and Municipal Employees Maintenance and Operators and General Services Bargaining units, whose Memoranda of Understanding expired on December 31, 2019. Negotiations continue in a productive manner and there have been no strikes or other union work stoppages at the City, including in the Water System and Wastewater System.

## **Water System Facilities**

The Water System consists of approximately 240 miles of water pipes ranging in diameter from two to 30 inches, 28 groundwater wells, a surface water treatment plant, and three storage facilities.

**Distribution System.** The distribution system consists of approximately 240 miles of pipe ranging in size from two inches to fourteen inches and serves an area of 14 square miles. The distribution system currently serves over 26,500 residential, commercial, and industrial customers. There is a single pressure zone within the service area. The City acquired the Water System in 1910 when the population of the City was approximately 2,000. The Water System has slowly expanded to serve the current community of approximately 68,000 residents. The distribution system age ranges from 100 years to new and a substantial portion of the system has been replaced over the last ten years. The City has implemented a program to replace the oldest and smallest pipes, as described below in "Capital Improvement Plan." Upon completion of the eighth phase of the residential water meter program, which anticipated by the end of calendar year 2020, nearly 30 miles of older 2" and 3" water main will have been replaced with 8" diameter main.

**Supply.** Groundwater and surface water compose the sources of supply for the City's Water System. In 2019, approximately 51% of the Water System's water production came from groundwater wells and 49% came from surface water.

**Groundwater.** The Water System operates 28 groundwater wells, seven of which are equipped with Granular Activated Carbon ("**GAC**") for DBCP and 1,2,3-TCP treatment. See "–

Certain Environmental Conditions” for further information regarding DBCP and 1,2,3-TCP. The combined capacity of the groundwater wells is approximately 37,000 gallons per minute or 52.9 million gallons per day. The wells operate automatically on water pressure demand and pump directly into the distribution system.

The Sustainable Groundwater Management Act (the “**SGMA**”) was signed into law in 2014 and provides a framework for long-term sustainable groundwater management throughout the State. The SGMA requires local and regional authorities in medium- and high-priority groundwater basins designated by the Department of Water Resources (the “**DWR**”) to form groundwater sustainability agencies (“**GSAs**”) and to adopt a groundwater sustainability plan (a “**GSP**”) designed to achieve basin sustainability no later than 2040 for basins in critical conditions of overdraft and 2042 for basins not in critical condition of overdraft.

The City overlies the Eastern San Joaquin Groundwater Subbasin, one of 21 basins and subbasins identified by the DWR as being in a state of critical overdraft. The City and 15 other GSAs formed the Eastern San Joaquin Groundwater Authority (the “**ESJGWA**”), a joint exercise of powers authority, effective February 8, 2017 in response to the SGMA. The purpose of the ESJGWA is to coordinate the management of the Eastern San Joaquin Groundwater Subbasin in accordance with the SGMA. The ESJGWA is governed by a Board of Directors (the “**ESJGWA Board**”), with one representative from each GSA, and is guided by an Advisory Committee, also with one representative from each GSA, that is tasked with making recommendations to the ESJGWA Board on technical and substantive matters. The ESJGWA released a draft GSP for public comment in July 2019. Following public workshops and hearings, the final GSP dated November 2019 was released.

On January 8, 2020, after approval and adoption of the GSP by each GSA, the ESJGWA Board adopted a resolution agreeing to submit the GSP to the DWR in advance of the January 30, 2020 statutory submittal deadline,

The City does not currently expect that enactment of or compliance with the SGMA or the GSP for the Eastern San Joaquin Groundwater Subbasin will have a material adverse effect on its ability to make the 2020 Installment Payments; however, the City can make no assurances as to the reliability or adequacy of future supplies of groundwater to meet future demands.

Surface Water. The Water System also operates a surface water treatment plant (the “**Treatment Plant**”), which commenced operation in 2012. The Treatment Plant pumps raw water from the Mokelumne River and treats it with a microfiltration process. The Treatment Plant was initially constructed to treat and distribute up to 10 million gallons of water per day and was designed to be able to accommodate a future expansion of the Treatment Plant of up to 20 million gallons per day.

The City does not have its own water rights to water from the Mokelumne River but instead contracts with other local agencies for the purchase of water from the Mokelumne River. In 2003, the City entered into a contract with the Woodbridge Irrigation District (“**WID**”) for the purchase of up to 6,000 acre-feet annually of surface water from the Mokelumne River (the “**WID Contract**”). The WID Contract expires on October 15, 2047 and provides for an extension at the City’s option for an additional 40 years. In 2014, the City entered into a contract with the North San Joaquin Water Conservation District (the “**NSJWCD**”) for the purchase of up to 1,000 acre-feet annually of surface water from the Mokelumne River (the “**NSJWCD Contract**”). Pursuant to the NSJWCD Contract, the City purchased 600 acre-feet of water in 2016, 400 acre-fee of water in 2017, and 100 acre-feet of water in 2018. The NSJWCD Contract expired in November 2019, but the City

expects to be able to enter into a new contract with NSJWCD on substantially the same terms as the NSJWCD Contract. However, if the City is unable to enter into a new contract with NSJWCD on terms acceptable to the City, the effect on the City's water supply is not expected to be material because of the availability of groundwater and surface water under the WID Contract.

**Storage.** The Water System contains three separate storage facilities. A 100,000-gallon elevated tank, located on North Main Street in the City, modulates pressures with the distribution system. A one million-gallon storage tank and pressure boosting pump station, located east of State Route 99 on Thurman Street in the City, serve peak demands in the City's industrial areas. A three million-gallon storage tank is located at the site of the Treatment Plant. In addition, a fourth storage facility, with a 1 million gallon capacity, is under construction in the southeast side of the City that will provide additional water supply to accommodate peak fire flow demand. This project is a condition of development, is entirely funded by the developer of the Reynolds Ranch project, and will be dedicated to the City upon completion.

**Insurance.** The City's boiler and machinery operations (including those parts of the Water System) are insured by the Alliant Property Insurance Program (APIP), which is a group purchase property program through the Lloyd's of London marketplace, and Hallmark Financial Services, for up to \$100 million in coverage. The City, including the Water System, is self-insured for general liability losses for up to \$500,000 and has pooled excess coverage through the California Joint Powers Risk Management Agency for up to \$40 million per occurrence. The City is self-insured for workers' compensation losses for up to \$250,000 and has pooled excess coverage through the Local Agency Workers' Compensation Excess Authority for statutory coverage.

### **Service Area and Customers**

The City provides water to substantially all of the population of the City, representing an area of approximately 11.5 square miles. In addition, the City provides water service to a small 21-unit residential subdivision outside the City via an agreement with the County of San Joaquin and anticipates that in 2020 it will begin providing water service to Henderson School, which is also outside the City limits, under an agreement with Lodi Unified School District. The table below shows the number of accounts in the Water System by user type and service charge revenues by class of user. Residential users represent approximately 89% of all accounts and approximately 76% of water sales revenues.

**Table 1**  
**City of Lodi**  
**Water System**  
**Number of Accounts and Revenues by User Type**

<u>Year Ending December 31</u>	<u>Commercial/Industrial/ Municipal</u>		<u>Residential</u>	
	<u>Number of Accounts</u>	<u>Revenue</u>	<u>Number of Accounts</u>	<u>Revenue</u>
2015	1,524	\$2,830,790	21,387	\$9,410,460
2016	1,821	2,991,610	21,683	9,500,400
2017	2,909	3,087,136	22,106	9,960,627
2018	2,903	3,170,623	22,464	10,213,988
2019	2,897	3,201,535	22,661	10,297,008

Source: City of Lodi

The table below shows the 10 largest users of the Water System based on service charge revenues for the Fiscal Year 2018-19.

**Table 2**  
**City of Lodi**  
**Water System**  
**Largest Users by Service Charge Revenues**  
**Fiscal Year 2018-19**

<u>User</u>	<u>Type of Business</u>	<u>Revenue</u>	<u>% of Total Revenue</u>
City of Lodi	Government	\$484,915	3.62%
Lodi Unified School District	K-12, adult education	382,317	2.86
Pacific Coast Producers	Private label fruit canning	160,516	1.20
Lodi Memorial Hospital	Health care	65,454	0.49
Treehouse Foods	Specialty bakery, frozen dough	52,500	0.39
All State Packer	Produce grower-shipper	24,866	0.19
Lodi Grape Festival	Festival grounds	24,530	0.18
Temple Baptist Church	Church	22,338	0.17
Sweetener Products	Sweetener distribution	20,651	0.15
Blue Shield of California	Health insurance	19,314	0.14
Subtotal Top Ten Users		<u>1,257,401</u>	<u>9.39</u>
<b>Total System</b>		\$13,384,611	100.00%

Source: City of Lodi

### Rate Consultant's Report

The City retained The Reed Group, Inc. (the "Rate Consultant") in 2019 to assist in developing financial plans and utility rates for the Water System and the City's wastewater system. The Rate Consultant has prepared a report dated March 6, 2019 titled "Water and Wastewater Rate Study" attached hereto as Appendix C (the "Rate Consultant's Report"), which summarizes the financial strategy supporting the activities of the Water System. Much of the information concerning the rates for the Water System, and the projected operating results contained herein in Table 7 (the "Projected Operating Results"), have been excerpted from the Rate Consultant's Report.

The Rate Consultant's Report contains certain assumptions and estimates. The Rate Consultant's Report should be read in its entirety for a discussion of estimated future results of the Water System and the assumptions and rationale underlying the estimates. As noted in the Rate Consultant's Report, any future estimate is subject to uncertainties. There will usually be differences between actual and estimated results because not all events and circumstances occur as expected, and those differences may be material. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the City to make timely payment of the 2020 Installment Sale Payments may be materially adversely affected.

## **Water Rates and Charges**

Subject to the requirements of Proposition 218, the City has the power to establish rates and charges as needed to operate the Water System. The rates and charges are established by the City Council and are not subject to review or approval by any other agency.

Most recently, pursuant to Resolution No. 2019-42 adopted on March 20, 2019 (the "**Rate Schedule Resolution**"), the City Council set usage-based and flat water rates for residential, commercial and industrial customers for the period from March 21, 2019 through December 31, 2023. The Proposition 218 process was followed and notifications were sent to property owners and utility customers 45 days prior to the public hearing on March 20, 2019. At the public hearing, the total number of protests filed with the City Clerk represented less than 10% of that required to sustain the protest and the rate changes were adopted by the City Council.

The Rate Schedule Resolution provides for inflationary-based increases in water rates in each year through 2023 equal to the Engineering New Record's 20-Cities Construction Cost Index, or 3.0%, whichever is lower. Increases in water rates each year of the five-year period must be approved by the City Council by separate resolution. Pursuant to Resolution 2019-43, adopted on March 20, 2019, the City Council approved a 2.5% increase in water rates for 2019.

**Transition from Flat Rates to Metered Rates.** In 2005, the State of California adopted legislation requiring that all new residential water services installed since 1992 begin receiving metered water bills beginning in 2011. The same legislation requires that all water utility customers have meters installed and begin receiving metered water bills no later than 2026.

The City began transitioning single family residential customers with water meters from flat water rates to water-usage based water rates in January 2011. Prior to converting any customer to usage-based rates, the City provides the customer with actual water usage data and information regarding how the customer's bills may be affected with the change in billing.

As of January of 2020, approximately 90% of single-family residential customers had been transitioned to water meters. It is expected that the meter retrofit program will be completed by 2023 and that, due to a planned lag between installation of a meter and conversion of a customer to metered water rates, full conversion to metered rates will occur by 2025.

Flat rates for water are based on the number of bedrooms in single-family homes and multi-family homes. Metered water rates include a fixed monthly service charge based on the size of the water meter. Single-family residential customers paying metered rates are subject to a three-tier usage rate structure, while multi-family homes and non-residential customers pay a uniform water usage rate.

Set forth below is a table showing selected rates, as adopted after the Rate Schedule Resolution, and effective as of April 2019.

**Table 3  
City of Lodi  
Water System  
Selected Rates Effective April 2019**

<b>Flat Rates (\$/month)</b>	
Single Family Residential Unit	\$33.66
2 Bedroom	40.43
3 Bedroom	48.45
<b>Metered Water Rates</b>	
<b>Service Charge (\$/month)</b>	
<i>Single Family Residential</i>	
Up to 3/4" Meter	22.42
<i>Multi-Family and Non-Residential</i>	
1" Meter	35.20
1 1/2" Meter	66.88
2" Meter	105.08
<b>Water Usage Rates (\$/CCF)</b>	
<i>Single Family Residential</i>	
Tier 1 - 0 to 10 CCF/month	0.99
Tier 2 - 11 to 50 CCF/month	1.32
Tier 3 - Over 50 CCF/month	1.64
<i>Multi-Family and Non-Residential</i>	
All Water Usage	1.18

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Source: City of Lodi

A history of water rate increases since 2014, and projections for water rate increases through 2023, is presented in the following table.

**Table 4**  
**City of Lodi**  
**Water System**  
**History of Water Rate Increases Since 2014**  
**and Projected Water Rate Increases Through 2023**

<u>Year</u>	<u>Percentage</u>
2014	2.500%
2015	2.000
2016	1.975
2017	3.000
2018	0.000
2019	2.500
2020	0.000
2021	-5.300 <sup>(1)</sup>
2022	3.000
2023	3.000

(1) Reflects rollback to 2016 rates, as approved by the City Council pursuant to Resolution No. 2017-23, adopted on February 15, 2017.  
 Source: City of Lodi

**Water Shortage Surcharge.** The Rate Schedule Resolution includes a water shortage rate surcharge. This temporary water shortage surcharge is implemented under specified water shortage conditions and is designed to provide incremental revenue to help offset declines in revenue due to reduced water sales in times of water shortage. The temporary water shortage surcharge applies to usage rates (and not to the fixed monthly service charge for metered customers, or to flat rates) and begins when water use reductions of 10-20% are necessary.

**Billing and Collection.** The City bills monthly for water, wastewater, solid waste and electricity on the same bill. If a bill is unpaid, the City will terminate electric service to a customer within 55 days of nonpayment after 48 hours' notice. Any termination of a customer's water services by the City would be required to be in compliance with the State's Water Shutoff Protection Act (California Health & Safety Code §116900, et. seq.). For Fiscal Year 2016-17 and Fiscal Year 2018-19, no accounts were sent to collection as the City was working through challenges with enterprise resource program software implementation. For Fiscal Year 2018-19, all closed accounts with a delinquent balance over 45 days were sent to collection. Closed accounts with outstanding balances greater than 45 days are now referred to a collection agency on a monthly basis. For financial reporting, the City records an allowance for bad debt equal to 1% of receivables over 60 days old. The Water System component of accounts recently referred to collection are:

<b>Fiscal Year</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Amount</b>	\$0	\$0	\$296,894
<b>% of Sales Charge Revenue</b>	0%	0%	0.37%

Source: City of Lodi

**Comparison of Monthly Water and Wastewater Service Charges of Selected Agencies.** A comparison of water and wastewater service charges of selected agencies located in San Joaquin County for a single-family home is set forth below.

**Table 5  
Comparison of Monthly Water and Wastewater Service Charges  
(as of March 2019)**

<u>Agency</u> <sup>(1)</sup>	<u>Water Rate</u>	<u>Wastewater</u>	<u>Total</u>
City of Tracy	\$32.80	\$34.00	\$66.80
City of Manteca	32.60	43.30	75.90
<b>City of Lodi (current)</b>	<b>39.15</b>	<b>52.87</b>	<b>92.02</b>
<b>City of Lodi (2021)<sup>(2)</sup></b>	<b>36.88</b>	<b>56.08</b>	<b>92.96</b>
City of Galt	33.70	63.15	96.85
City of Stockton	68.75	44.16	112.91
City of Lathrop	90.93	75.00	165.93

(1) Rates for the City reflect rates approved in March 2019. Rates for other agencies are as of March 2019. Based on metered water rates with 15 CCF of average monthly water usage and 9 CCF of monthly winter water usage (for wastewater bill calculations), and a 3/4" residential meter.

(2) Includes rollback of water rates to 2016 schedule.

Source: City of Lodi

**Impact Fees.** In addition to collecting service charges, the City also collects water impact mitigation fees, or "impact fees." Impact fees are one time fees charged to new development for capacity in the water system. The impact fee for a typical low density single family residence (five dwelling units per acre) is approximately \$3,777 per equivalent single family dwelling unit ("EDU"), and is subject to annual inflation indexing. The Projected Operating Results include estimated water impact fees of approximately \$575,500 in Fiscal Year 2019-20, including interest earnings.

Actual impact fee revenues will depend on a variety of factors, including the actual increases in impact fees adopted by the City Council and the actual number of new connections for which impact fees are paid. In addition, there can be no assurances that the City Council will adopt impact fees at the level assumed in the Projected Operating Results, and that new connections for which impact fees are paid will occur at the levels assumed in the Projected Operating Results.

### **Capital Improvement Plan**

The capital improvement program for the Water System includes multiple projects that total nearly \$30 million through Fiscal Year 2029-30. Annual expenditures for the capital improvement program range from approximately \$75,000 to approximately \$7.5 million, and average approximately \$2.5 million. Larger projects include completion of the water meter retrofit program (approximately \$8 million over four fiscal years) and the replacement of a membrane at the Treatment Plant (approximately \$2 million). A variety of smaller projects, including rehabilitation and upgrading of groundwater wells and pipe replacement, make up the remainder of the projected capital improvement program. The capital improvement program is projected to be funded from available revenues and reserves of the Water System. The issuance of Parity Debt is not currently expected.

## Fund Balance Policies

The City Council has adopted policies of maintaining the following fund balance targets:

- General fund unassigned balance of at least 16% of general fund revenues, consisting of Catastrophic and Economic reserves of a minimum of 8% each of annual general fund revenues.
- Water Enterprise fund target of 50% of Water System operating expenses.
- Electric Enterprise fund working capital target of \$23.3 million.

## Certain Environmental Conditions

Following are discussions of certain environmental conditions which currently are, and may in the future, affect the operations and/or financial condition of the Water System.

***PCE/TCE Contamination.*** As described herein, the City currently relies upon groundwater for approximately 51% of its production of potable water to its residents through the Water System. The City detected the chemicals tetrachloroethylene (“**PCE**” or “**PERC**”) and trichloroethylene (“**TCE**”) in the groundwater in 1989. The contamination was caused by releases into five different contamination plumes over many decades by businesses in the City. The City filed, and has fully resolved, a cost recovery action entitled “The People of the State of California and the City of Lodi v. M&P Investments, et. al U.S. District Court for the Eastern District of California, Case No. Civs-00-2441 FCD JFM.”

Although the contamination is a serious issue, no operating wells are out of compliance with water quality regulations and the City believes that it can manage its water supply to avoid adverse consequences to the Water System. The City has numerous wells that pump water from far outside the areas that are affected, but which are equipped with treatment systems as appropriate. In addition, the Treatment Plant has reduced the City’s reliance on groundwater, increasing the ability of the City to avoid problematic groundwater areas.

The five contamination plumes run along three narrow contours following the flow of groundwater. Twenty-three of the City’s 28 wells pump water from outside the plumes’ contours. With minor exceptions, because the plumes containing the contaminants follow the southerly groundwater flow, the City believes that five of the City’s 28 wells could be affected in the future. However, the water supply can be completely protected by either closing the affected well or installing wellhead treatment to remove the contaminants at the time the water is ready to be introduced into the Water System.

The City’s audited financial statements for the year ended June 30, 2018 state that the City’s remaining pollution remediation obligation was approximately \$16.6 million as of June 30, 2019. See APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019” – Note 14 to the Basic Financial Statements” for a discussion of the City’s remediation liabilities. However, there can be no assurances that the actual costs of remediation will not exceed the City’s current estimates. See “RISK FACTORS – Remediation Costs.”

***DBCP Contamination.*** The City's groundwater is impacted by remnants of the former agricultural pesticide dibromochloropropane ("**DBCP**"). DBCP is a listed carcinogen that can be removed from water via activated carbon treatment. DBCP was used as a fumigant to treat infestations in vineyards. As the City has grown, it has annexed former vineyard sites. DBCP can be found in 12 of the City's 28 wells, primarily in the City's newer vineyard annexations to the south and west. The City has no connection to, or liability for, the contamination except its obligation to purify the water to the extent it chooses to introduce it into its drinking water supply. As required by state law, the City monitors various contaminant levels including DBCP, at the wellhead on a regular basis. DBCP is treated by GAC in seven of the City's 28 wells.

The City settled a lawsuit against the manufacturers of DBCP, including Dow, Shell and Occidental, in 1996 that requires the defendants to fund the City's well replacement and treatment costs through the year 2036. Although the reimbursement terms are complex, the amounts paid to date by the defendants have significantly exceeded the City's actual costs. The settlement agreement allows reimbursements to exceed costs because reimbursements are, in most cases, set at ninety percent (90%) of projected treatment costs and actual treatment costs have been less than projections. Staff anticipates that this trend will continue throughout the settlement agreement's term. The City does not anticipate that it will need to utilize Net Revenues of the Water System to fund treatment costs in the future because continued effective resource management are expected to keep costs below settlement revenues.

***1,2,3-TCP Contamination.*** 1,2,3-Trichloropropane ("**1,2,3-TCP**") is a manmade chlorinated hydrocarbon that is typically found at industrial or hazardous waste sites and has been used as a cleaning and degreasing solvent. 1,2,3-TCP is also associated with pesticide products formulated with dichloropropanes in the manufacturing of soil fumigant (nematicide) D-D, (no longer available in the United States) which does not attach to soil particles and may move into groundwater aquifers. 1,2,3-TCP is recognized in California as a potential cancer causing substance. Since 2001, 1,2,3-TCP has been found in numerous drinking water sources across the state.

Currently five well sites that are known to contain 1,2,3-TCP are equipped with GAC treatment units which were initially installed to remove DBCP contaminants from the well water. GAC is proven to be effective in removing 1,2,3-TCP from drinking water and is identified by the State Water Resources Control Board as the best available technology for treating 1,2,3-TCP. The City plans to install additional GAC units as necessary to remove 1,2,3-TCP from two other contaminated well sites and has programmed these sites into the capital improvement plan.

## **Financial Statements**

The audited Comprehensive Annual Financial Report of the City as of June 30, 2019 is included in Appendix B to this Official Statement. The 2020 Installment Payments are special obligations of the City payable solely from the Net Revenues of the Water System. The Comprehensive Annual Financial Report has been audited by The Pun Group, independent accountants (the "**Independent Accountants**") as stated in their report appearing in Appendix B.

No review or investigation with respect to subsequent events has been undertaken in connection with such Comprehensive Annual Financial Report by the Independent Accountants and the Independent Accountants have not been asked to consent to the City regarding inclusion of the Comprehensive Annual Financial Report in this Official Statement.

## Historical and Projected Operating Results

Tables 6 and 7 set forth, respectively, historical and projected revenues, expenses and debt service coverage of the Water System. The historical information in Table 6 is based on the City's audited financial statements for Fiscal Years 2014-15 through 2018-19. The Projected Operating Results in Table 7 were prepared by the City, and are based in part on the Rate Consultant's Report. The coverage ratios have been computed in accordance with the requirements of the 2020 Installment Sale Agreement, including the definitions of Net Revenues and Operation and Maintenance Costs.

***Development of Projected Operating Results and Debt Service Coverage.*** The City's Projected Operating Results for the Water System for the Fiscal Years ending June 30, 2020 through 2024 set forth below reflect certain significant assumptions concerning future events and circumstances. The financial estimates represent the City's estimate of projected financial results based upon its judgment of the probable occurrence of future events, as well as the Rate Consultant's Report. The assumptions set forth in part in the footnotes set forth below are material in the development of the City's financial projections, and variations in the assumptions may produce substantially different financial results. The Rate Consultant's Report also describes various assumptions utilized in the preparation of the Projected Operating Results, and should be read in its entirety. Actual operating results achieved during the projection period may vary from those presented in the future estimates and such variations may be material.

Major assumptions affecting the Projected Operating Results include the following:

- Inflation Rates. The Projected Operating Results assume general inflation of 3.0% per year. This general inflation rate applies to all operating and maintenance costs, except water purchase from WID, which increases at 2.0% per year.
- Growth Projection. The annual pace of new development is assumed to be approximately 1.0% of the customer base.
- Customer Demand. The City was under state-mandated water use restrictions during the recent statewide drought. A full rebound to pre-drought water usage is not included due to continued transition to metered rates, conservation measures implemented during the drought, and anticipated new water conservation requirements from the State.

**Table 6**  
**City of Lodi**  
**Water System**  
**Historical Operating Results and Debt Service Coverage**  
**Fiscal Years 2014-15 through 2018-19**

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<b>Gross Revenues</b>					
Water Sales	\$12,722,619	\$12,161,186	\$12,473,676	\$13,005,023	\$13,344,473
Investment Earnings	87,211	166,791	132,364	99,018	448,331
Water Impact Mitigation Fees	20,299	332,765	206,847	362,481	528,885
Meter Retrofit Installation Charges	56,502	76,103	19,255	21,577	33,347
Other Revenues <sup>(1)</sup>	483,710	287,839	1,011,756	932,652	1,095,363
<b>Total Gross Revenues</b>	<b>\$13,369,891</b>	<b>\$13,024,684</b>	<b>\$13,843,898</b>	<b>\$14,420,751</b>	<b>\$15,450,399</b>
<b>Operating and Maintenance Expenses</b>					
Personnel Services	\$2,316,305	\$2,515,542	\$2,998,026	\$2,833,892	\$3,014,211
Supplies, Materials and Services	2,139,014	3,008,676	3,468,229	3,220,625	3,339,632
Utilities	579,774	496,316	453,488	518,271	537,561
Administrative overhead	780,000	780,000	813,000	820,560	821,900
<b>Total O&amp;M Expenses</b>	<b>\$5,815,093</b>	<b>\$6,800,534</b>	<b>\$7,732,743</b>	<b>\$7,393,348</b>	<b>\$7,713,304</b>
<b>Net Revenue Available for Debt Service</b>	<b>\$7,554,798</b>	<b>\$6,224,150</b>	<b>\$6,111,155</b>	<b>\$7,027,403</b>	<b>\$7,737,095</b>
<b>Debt Service</b>					
2010A Bonds Debt Service	\$1,078,300	\$1,077,050	\$1,078,550	\$1,076,100	\$1,077,600
2010B Bonds Net Debt Service <sup>(2)</sup>	1,277,841	1,274,531	1,275,193	1,273,206	1,270,558
<b>Total Net Debt Service</b>	<b>\$2,356,141</b>	<b>\$2,351,581</b>	<b>\$2,353,743</b>	<b>\$2,349,306</b>	<b>\$2,348,158</b>
<b>Debt Service Coverage</b>					
Debt Service Coverage	3.21	2.65	2.60	2.99	3.29
Debt Service Coverage (excluding impact mitigation fees)	3.20	2.51	2.51	2.84	3.07
<b>Net Remaining Revenues Available for Capital</b>	<b>\$5,198,657</b>	<b>\$3,872,569</b>	<b>\$3,757,412</b>	<b>\$4,678,097</b>	<b>\$5,388,937</b>
<b>Capital Improvement Projects</b>					
Meter Retrofit Program <sup>(3)</sup>	\$4,841,932	\$1,606,734	\$4,589,636	\$4,068,588	\$652,540
Other Water System Improvements	267,902	9,097	330,380	114,412	436,433
<b>Total Capital Improvement Projects</b>	<b>\$5,109,834</b>	<b>\$1,615,831</b>	<b>\$4,920,016</b>	<b>\$4,183,000</b>	<b>\$1,088,973</b>
<b>Net Change in Reserve</b>	<b>\$88,823</b>	<b>\$2,256,738</b>	<b>\$(1,162,604)</b>	<b>\$495,097</b>	<b>\$4,299,964</b>
<b>Water Enterprise Fund<sup>(4)</sup></b>					
Beginning Fund Balance	\$7,027,567	\$7,116,390	\$9,373,129	\$8,210,525	\$8,705,622
Ending Fund Balance	7,116,390	9,373,129	8,210,525	8,705,622	13,005,586

(1) Includes rent, sales of City property, discounts, water reimbursements, and damage to property, water tap fees, DBCP reimbursements, and other miscellaneous revenues.

(2) Reflects total debt service for the 2010B Bonds, net of the interest rate subsidy for the Refunded Bonds.

(3) Annual capital costs of the transition to water meters.

(4) Water Enterprise Fund balance includes both operating and capital reserves and is presented on a cash basis. Ending fund balance is calculated as beginning balance; plus operating revenues; less operating expenditures, capital improvement projects, and debt service.

Source: City of Lodi.

**Table 7**  
**City of Lodi**  
**Water System**  
**Projected Operating Results and Debt Service Coverage**  
**Fiscal Years 2019-20 through 2023-24**

	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
<b>Gross Revenues</b>					
Flat Rate Revenue	\$3,498,000	\$2,955,000	\$2,630,000	\$2,304,000	\$1,464,000
Service Charge Revenue	5,446,000	5,570,000	5,575,000	6,000,000	6,511,000
Usage Charge Revenue	4,773,000	4,905,000	4,845,000	5,150,000	5,722,000
Miscellaneous Revenue	377,300	377,300	377,300	377,300	377,300
Interest Earnings	159,000	69,000	96,600	109,800	131,100
<b>Total Gross Revenues</b>	<b>\$14,253,300</b>	<b>\$13,876,300</b>	<b>\$13,523,900</b>	<b>\$13,941,100</b>	<b>\$14,205,400</b>
<b>Operating and Maintenance Expenses</b>					
Water Administration	\$1,717,300	\$1,768,500	\$1,821,300	\$1,875,500	\$1,931,500
WID Water Purchases	1,487,900	1,528,400	1,570,000	1,612,800	1,656,800
Operating Transfer Out	846,600	872,000	898,200	925,100	952,900
Damage to Property	4,200	4,300	4,400	4,500	4,600
Water Production	715,100	736,600	758,600	781,300	804,700
Electricity	303,800	315,100	326,900	339,100	351,800
Water Distribution	1,081,400	1,113,800	1,147,100	1,181,400	1,216,700
Surface Water Treatment Facility	1,666,100	1,715,700	1,766,600	1,819,100	1,873,000
Electricity	155,600	161,400	167,400	173,600	180,100
Water Conservation	151,700	156,100	160,700	165,300	170,100
DBCP	69,600	71,700	73,900	76,100	78,300
<b>Total O&amp;M Expenses</b>	<b>\$8,199,300</b>	<b>\$8,443,600</b>	<b>\$8,695,100</b>	<b>\$8,953,800</b>	<b>\$9,220,500</b>
<b>Net Revenue Available for Debt Service</b>	<b>\$6,054,000</b>	<b>\$5,432,700</b>	<b>\$4,828,800</b>	<b>\$4,987,300</b>	<b>\$4,984,900</b>
<b>Debt Service</b>					
2010A Bonds Debt Service	\$1,078,200	\$1,076,400	--	--	--
2010B Bonds Net Debt Service <sup>(1)</sup>	634,286	--	--	--	--
2020 Bonds Debt Service	88,644	997,250	\$1,927,250	\$1,930,050	\$1,926,250
<b>Total Net Debt Service</b>	<b>\$1,801,130</b>	<b>\$2,073,650</b>	<b>\$1,927,250</b>	<b>\$1,930,050</b>	<b>\$1,926,250</b>
<b>Debt Service Coverage</b>	3.36	2.62	2.51	2.58	2.59
<b>Net Remaining Revenues Available for Capital</b>	<b>\$4,252,870</b>	<b>\$3,359,050</b>	<b>\$2,901,550</b>	<b>\$3,057,250</b>	<b>\$3,058,650</b>
<b>Transfer to Capital Improvement Fund</b>	<b>\$6,745,000</b>	<b>\$2,208,000</b>	<b>\$2,082,000</b>	<b>\$1,970,000</b>	<b>\$869,000</b>
<b>Net Change in Reserve</b>	<b>\$(2,492,130)</b>	<b>\$1,151,050</b>	<b>\$819,550</b>	<b>\$1,087,250</b>	<b>\$2,189,650</b>
<b>Water Enterprise Fund</b>					
Beginning Fund Balance	\$13,005,586	\$10,513,455	\$11,664,505	\$12,484,055	\$13,571,305
Ending Fund Balance	10,513,455	11,664,505	12,484,055	13,571,305	15,760,955

(1) Reflects debt service paid on December 1, 2019, net of the interest rate subsidy for the Refunded Bonds. Does not include the June 1, 2020 debt service that will be paid through the refunding escrow. The City will deposit a portion of the debt service that would have been due on June 1, 2020 into the refunding escrow—this payment is not reflected in the debt service shown.

Source: The Reed Group, Inc.; City of Lodi.

## Retirement Plan

Retirement benefits to City employees, including those assigned to the Water and Wastewater Systems, are provided through the City's participation in the California Public Employees' Retirement System ("**CalPERS**"), an agent multiple-employer public employee defined benefit pension plan. Participants are required to contribute a percentage (6.949% in Fiscal Year 2019-20 for employees assigned to the Water System hired prior to January 1, 2013 ("**Classic Employees**") and 7.25% in Fiscal Year 2019-20 for employees assigned to the Water System hired after January 1, 2013 ("**PEPRA Employees**")) of their annual covered salary. In addition to the required contributions, both Classic Employees and PEPRA Employees pay an additional 2% or 3% of their annual covered salary towards the City's portion of the pension normal cost. The City's contribution rate for current service (normal cost) and the Unfunded Accrued Liability ("**UAL**") payment to make up for shortfalls in the pension system are determined by annual actuarial calculations based on the benefit formula and the number of employees and their respective salary schedules. For the fiscal year ending June 30, 2019, the Citywide contribution to the CalPERS miscellaneous plan (of which all Water System employees are members) was \$1,441,256 in Normal Cost and \$3,502,555 in UAL. The Normal Cost is based on the City's assumption for payroll expense, and the UAL is set by CalPERS. For the Water System's share of such contributions, the Fiscal Year 2018-19 contribution for the Normal Cost share was \$129,576 and for the UAL was \$328,790.

The contribution requirements of plan members and the City are established and may be amended by CalPERS. Assembly Bill 340, the Public Employee's Pension Reform Act ("**PEPRA**"), implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of a new member under PEPRA. As of January 22, 2019, there are 24 PEPRA Employees and 15 Classic Employees in the Water and Wastewater Systems, with 50% of the total being allocated to the Water System. As more PEPRA Employees are hired in the future, the Normal Cost should be reduced. Because the UAL is tied to current shortfalls in the pension system, it is not directly impacted by the hiring of PEPRA members. Beginning July 1, 2018, CalPERS began phasing in a reduction in the discount rate (assumed rate of return on investments) used to determine agency contributions. The discount rate is being reduced from 7.5% to 7.0% as follows:

<b>Valuation Date</b>	<b>Fiscal Year for Required Contribution</b>	<b>Discount Rate</b>
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.25%
June 30, 2018	2020-21	7.00%

The impact of each reduction will be phased in over five years, with the full impact realized in the 2024-25 fiscal year. The City anticipates total pension costs approximately doubling as compared to the current fiscal year during this time. To address the issue, the City has adopted a Pension Stabilization Policy ("**PSP**") and created a Pension Stabilization Fund ("**PSF**"). As of December 31, 2019, \$17,023,582 was set aside in the PSF, an Internal Revenue Service Section 115(c) trust fund established for the purposes of paying future pension liabilities. The PSP requires 100% of General Fund reserves in excess of the 16% General Fund reserve target be deposited into the PSF, and all other funds invest a proportional share based on the budgeted pension obligations in that fiscal year. Based on this policy, \$2,160,715 was invested in Fiscal Year 2019-20 based on the results of Fiscal Year 2018-19. The PSP remains in effect until the funded status of the City's two pension plans for Miscellaneous and Safety employees are at a

combined 80% funded status when considering the Market Value of Assets at CalPERS and in the PSF. As of the July 2019 actuarial report, with a June 30, 2018 measurement date, the funded status for the Miscellaneous Plan was 69.0%, Safety plan was 58.6% and combined plans was 63.8%. As of December 31, 2019, the combined funded status when considering the PSF assets increases to 68.0%. Based on fiscal year ending June 30, 2019 combined normal cost and UAL pension payments, the Water System is responsible for approximately 4% of the total pension liability for the City. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

For additional information regarding the City's retirement plans and other post-employment benefits, see Appendix B – "AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

#### Other Post-Employment Benefits

The City provides certain post-employment benefits other than pensions ("**OPEB**") to City employees, including those assigned to the Water System, who retire from the City and receive a CalPERS pension through its participation in the CalPERS medical benefits program. The City's OPEB plan is the CalPERS standard Minimum Contribution Benefit subsidy plan that provides a fixed monthly amount of premium subsidy for retirees. Employees of the City are eligible for retiree health benefits if they retire from the City and commence pension benefits under CalPERS. In addition, employees hired prior to dates that range from July 1, 1994 to December 6, 1995 (depending on the labor group the employee was part of), are allowed to convert their accumulated sick leave into postemployment medical benefits at retirement as long as they have ten or more years of service with the City. This closed plan provides monthly compensation in an amount equal to the employer's cost paid for healthcare to the employee at the time of retirement. The Unfunded Actuarial Accrued Liability ("**UAAL**") for OPEB as of June 30, 2019 was \$33,422,021. The City's policy is to fund the normal cost (the current accrual for benefits being earned) plus an amortization of the net (unfunded accrued) OPEB liability. For Fiscal Year 2017-18, the City contributed \$2,947,260, of which \$1 million was placed in an OPEB trust. For Fiscal Year 2018-19, the City contributed \$1,862,969.

The portion of the plan's assets allocable to the Water System employees, which is part of the City's liability pool, has not been separately calculated. The Water and Wastewater Systems employees together represent approximately 14% of employees of the City, with 50% of that amount being allocated to the Water System.

For additional information relating to the City's retirement and other post-employment obligations, see Notes 8 and 9 to the City's Comprehensive Annual Financial Report for the Year Ended June 30, 2019 included in Appendix B to this Official Statement.

Payments to PERS and payments with respect to OPEB benefits constitute Maintenance and Operation Costs of the Water System.

## **THE AUTHORITY**

The Authority was created in July 2010 by a joint exercise of powers agreement, which was entered into between the City and Industrial Development Authority of the City (“IDA”), pursuant to the provisions of the Act. Under the Joint Exercise of Powers Agreement, the Authority is a public entity, separate from the City and the IDA. The debts, liabilities and obligations of the Authority are not debts, liabilities and obligations of either the City or the IDA. The Authority is administered by a governing board consisting of the members of the Lodi City Council.

## **RISK FACTORS**

The following factors, which represent certain risk factors, should be considered along with all other information in this Official Statement by potential investors in evaluating the 2020 Bonds. The following is not intended to be an exhaustive list and there can be no assurance made that other risk factors do not currently exist or will not become evident at any future time.

### **Rate Covenant Not a Guarantee**

The ability of the City to make the 2020 Installment Payments and thereby pay the principal of and interest on the 2020 Bonds depends on the ability of the City to generate Net Revenues in the levels required by the 2020 Installment Sale Agreement. Although, as more particularly described herein, the City expects that sufficient revenues will be generated through the imposition and collection of service charges, impact fees, and other Gross Revenues described herein, there is no assurance that such imposition of service charges, impact fees, or other Gross Revenues will result in the generation of Net Revenues in the amounts required by the 2020 Installment Sale Agreement. As a result, the City’s covenant does not constitute a guarantee that sufficient Net Revenues will be available to pay 2020 Installment Payments when due.

### **Limited Obligations**

The 2020 Bonds are payable only from 2020 Installment Payments received from the City and moneys in the funds and accounts held under the Indenture, and the 2020 Installment Payments are secured by and payable solely from Net Revenues. The 2020 Installment Payments are not secured by a legal or equitable pledge or charge or lien upon any property of the City or the Authority or any of their income or receipts, except the Net Revenues.

The obligation of the City to make the 2020 Installment payments does not constitute an obligation which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

### **No Reserve Account**

No debt service reserve account has been established with respect to the 2020 Bonds. The City may establish debt service reserves for Parity Debt.

### **Parity Debt**

Upon the issuance of the 2020 Bonds and the refunding of the Refunded Bonds and corresponding portion of the related installment payment obligation of the City, the only other

outstanding obligations payable from Net Revenues on a parity with the 2020 Bonds will be the 2010A Installment Payments. In addition, the City is permitted under the 2020 Installment Sale Agreement, subject to satisfaction of certain conditions, to incur future Parity Debt. In the event Net Revenues were insufficient to pay all of the City's obligations with respect to the 2020 Installment Payments and any Parity Debt, when due, the City would be obligated to make payments on the Parity Debt and 2020 Installment Payments on a pro rata basis.

### **Demand and Usage**

There can be no assurance that the local demand for services provided by the Water System will continue according to historical levels. In addition, drought conditions and voluntary or mandatory conservation measures could decrease usage of the services of the Water System. See “– California Drought Conditions.”

Reduction in the level of demand or usage could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the City's rate covenant. Such increase in rates could include the approved temporary water shortage surcharge. See “THE WATER SYSTEM – Water Rates and Charges – *Water Shortage Surcharge*.” Rate increases could increase the likelihood of nonpayment.

### **Statutory and Regulatory Impact**

The kind and degree of water treatment is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the Water System and mandate its use of technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state legislation, should impose stricter water quality standards upon the Water System, the Water System's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses.

It is not possible to predict the direction which federal or state regulation will take with respect to drinking water quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

In addition, as described herein, the City is currently undertaking remediation activities to address certain environmental conditions affecting the Water System. Although the City believes that existing funds available for such remediation will be sufficient to pay the cost of such remediation, there can be no assurances that the cost of remediation will not exceed the City's projections.

Although the City has covenanted in the 2020 Installment Sale Agreement to fix, prescribe and collect rates, fees and charges during each Fiscal Year at specified levels, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the City to generate Net Revenues in the amounts required by the 2020 Installment Sale Agreement and to pay the 2020 Installment Payments. Certain potential increasing regulatory standards could materially increase the cost to the City of providing water and wastewater services.

## **Earthquake, Flood, Wildfire or Other Natural Disasters**

**General.** The occurrence of an earthquake, flood or other natural disaster which resulted in the temporary or permanent closure of major components of the Water System or resulted in significantly increased costs could materially adversely affect the ability of the City to operate the Water System or to generate Net Revenues at the levels required by the 2020 Installment Sale Agreement.

**Flood.** Based on flood risk evaluations prepared by the Federal Emergency Management Agency (FEMA) for the City and San Joaquin County, effective October 19, 2009, flood hazards are a constraint to development only in two areas of the City: the area immediately adjacent to the Mokelumne River along the City's northern boundary. These areas lie within Zone AE, meaning that they are subject to a 1% annual (100-year) flood. Flooding depths in this area are generally greater than three feet. Most of the City lies within Zone X, which describes lands subject to the 0.2% annual (500-year) flood zone or that lie within the 100-year flood zone, but with flooding depths less than one foot.

**Wildfire.** In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances, entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. In November 2018, the Camp Fire occurred in Butte County, California. The Camp Fire is the deadliest and most destructive wildfire in the recorded history of the State burning more than 150,000 acres and destroying more than 11,500 structures, including most of the structures in the City of Paradise, California. The City is located in a region of the State with a very low fire risk and no part of the City or its service territory is located in or near the High Fire Threat District designated in the California Public Utilities Commission's Fire Threat Map. The City's service area is predominately categorized as either "non-fuel" or "moderate" in the California Department of Forestry and Fire Protection's ("CALFIRE") Fire and Resource Assessment Program Fire Threat Map. In 2007, CALFIRE determined that San Joaquin County, which City's service territory is entirely within, has no Very High Fire Hazard Severity Zones.

Some commentators believe that climate change will lead to even more frequent and damaging wildfires in the future. While the City and the Water System have not suffered direct effects of wildfire, there can be no assurance that wildfires will not affect the City and the Water System in the future, or the effects of any such wildfire, which could be material.

## **California Drought Conditions**

California is subject to droughts from time to time. In particular, in the last decade the State experienced six consecutive years of below-average rain and snow, causing severe drought conditions in all 58 counties. On January 17, 2014, Governor Edmund G. Brown proclaimed a state of emergency due to the severe drought conditions faced by the State. On April 1, 2015, for the first time in California's history, Governor Brown directed the State Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25%. In implementing the Governor's order, the State Water Resources Control Board required the City to reduce water use by 20% relative to 2013 water use. The City responded by requiring customers to reduce water usage.

Water year 2017 had above-average precipitation and snowpack, and on April 7, 2017, Governor Brown issued Executive Order B-40-17, officially ending the drought state of emergency in all California counties except Fresno, Kings, Tulare, and Tuolumne. However, there can be no assurance that drought conditions will not arise again, causing water rationing and adversely affecting property use and values.

Implementation of mandatory water reductions imposed by the State Water Resources Control Board on the City reduced the amount of water sold by the Water System. While water demand has partially rebounded since the end of the last drought, demand has not fully returned to pre-drought levels and the Rate Consultant's Report does not project a full rebound to pre-drought levels due to hardening of usage (i.e., permanent conservation measures implemented during the drought) and the potential for new water conservation requirements from the State.

The City cannot predict if and when drought conditions will return, what effect drought conditions may have on revenues of the Water System, or whether or to what extent water reduction requirements may affect the Water System.

### **Potential Impact of Climate Change**

The issue of climate change has become an important factor in water resources planning. There is evidence that increasing concentrations of greenhouse gases have caused and will continue to cause a rise in temperatures around the world, which will result in a wide range of changes in climate patterns. Moreover, there is evidence that a warming trend occurred during the latter part of the 20th century and will likely continue through the 21st century. These changes will have a direct effect on water resources in the State, and numerous studies on climate and water in the State have been conducted to determine the potential impacts. Based on these studies, global warming could result in the following types of water resources impacts in the State, including impacts on the Water System:

- Changes in the timing, intensity, and variability of precipitation, and an increased amount of precipitation falling as rain instead of as snow,
- Long-term changes in watershed vegetation and increased incidence of wildfires that could affect water quality,
- Increased water temperatures with accompanying adverse effects on some fisheries,
- Increases in evaporation and concomitant increased irrigation need, and
- Changes in urban and agricultural water demand.

However, other than the general trends listed above, there is no clear scientific consensus on exactly how climate change will quantitatively affect water supplies available to the Water System.

### **Cybersecurity**

The City, including the Water System, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject

to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. On April 4 and May 3, 2019, the City experienced information security incidents involving ransomware impacting multiple City systems. The City did not pay any ransom and its systems were either rebuilt or restored from backups. The City retained the services of Baker & Hostetler LLP and Cytelligence Inc. to provide legal, technical, and forensic services through the City's cyber insurance coverage. With the exception of the City's \$50,000 deductible, all costs associated with these information security incidents, including legal and forensic experts and employee overtime, were covered by insurance. The City believes it has taken reasonable steps to mitigate the adverse effects of cyberattacks, including steps to harden its cybersecurity and provide training for employees in the use of its digital networks and systems.

No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City. No assurance can be given that the City, the Authority, and the Water System will not be affected by cyber threats and attacks in a manner that may affect the owners of the 2020 Bonds.

### **Rate Consultant's Report**

The Rate Consultant's Report contained as Appendix C to this Official Statement contains certain assumptions and estimates. The Rate Consultant's Report should be read in its entirety for a discussion of the assumptions and rationale underlying the estimates, projections, conclusions and opinions contained therein. The estimates, projections, conclusions and opinions contained therein are subject to uncertainties. There will usually be differences between actual and estimated future results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the projections contained in the Rate Consultant's Report are not necessarily indicative of future performance, and neither the Rate Consultant nor the City assumes any responsibility for any failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the City are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the 2020 Bonds are cautioned not to place undue reliance upon the Rate Consultant's Report or upon any estimates, projections, conclusions and opinions contained in the Rate Consultant's Report. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the City to make timely payment of the 2020 Installment Payments may be materially adversely affected.

Neither the City's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the information in the Rate Consultant's Report, including the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Rate Consultant's Report.

### **Remediation Costs**

As described in "THE WATER SYSTEM – Certain Environmental Conditions," pursuant to various litigation settlements and agreements with the Board, the City is required to undertake remediation activities with respect to environmental contamination of groundwater in the City. The

City believes that remaining settlement proceeds and existing reserves will be sufficient to pay these remediation costs, and that available revenues will not be required to pay such costs. However, there can be no assurances that the actual costs of remediation will not significantly exceed the City's current estimates. If actual costs of remediation exceed the City's estimates, such circumstances could materially adversely affect the financial condition of the Water System.

### **Limited Recourse on Default**

Failure by the City to make the 2020 Installment Payments, when due, constitutes an event of default under the 2020 Installment Sale Agreement and the Authority is permitted to pursue remedies at law or in equity to enforce the City's obligation to make the 2020 Installment Payments. Although the Trustee, as assignee of the Authority, has the right to accelerate the total unpaid principal component of the 2020 Installment Payments, there is no assurance that the City will have sufficient Net Revenues to pay the principal component of the 2020 Installment Payments upon acceleration.

### **Effect of Bankruptcy**

In addition to the limitations on remedies contained in the 2020 Installment Sale Agreement and the Indenture, the rights and obligations under the 2020 Bonds, the 2020 Installment Sale Agreement and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2020 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights and may otherwise have material adverse consequences. The opinion of Bond Counsel notes that the rights of the owners of the 2020 Bonds and the enforceability of the 2020 Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

### **Loss of Tax Exemption**

The City has covenanted in the 2020 Installment Sale Agreement, and the Authority has covenanted in the Indenture, that each will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the 2020 Bonds under Section 103 of the Internal Revenue Code of 1986. In the event either the City or the Authority fails to comply with the foregoing tax covenant, interest on the 2020 Bonds may be includable in the gross income of the Owners thereof for federal tax purposes retroactive to the date of issuance of the 2020 Bonds. See "TAX MATTERS."

## Articles XIII C and XIII D of the California Constitution

**General.** On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIII C broadly define “tax,” but specifically exclude, among other things:

- (1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- (3) A charge imposed as a condition of property development.
- (4) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

**Property-Related Fees and Charges.** Under Article XIII D, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

**Initiative Power.** In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

**Judicial Interpretation of Articles XIIC and XIID.** After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent court cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal.4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno’s petition for review of the Court of Appeal’s decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency’s rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency’s charges for ongoing water delivery are “fees and charges” within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also “fees” within the meaning of Article XIIC’s mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency’s water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate’s initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of assets, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any

bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

In August 2013, an Orange County Superior Court judge ruled that the tiered pricing model of the City of San Juan Capistrano, which charges higher rates to customers who use more water, violates Proposition 218. The City of San Juan Capistrano appealed the decision, to the 4th District Court of Appeal, which published its decision on April 20, 2015. The court's decision found that the City of San Juan Capistrano's tiered rates were not sufficiently cost-justified, but that the Constitution does allow for tiered rates. In July 2015, the California Supreme Court denied a request to depublish the case.

The City believes that its rate structure is distinguishable from the structure deemed unconstitutional in the San Juan Capistrano case and consistent with Proposition 218 and the Constitution because the City's tiered rates correlate with the actual costs for the various tiers.

**Articles XIIC and XIID and the City's Wastewater Rates and Charges.** The City's current water rates (see "THE WATER SYSTEM – Water Rates and Charges") were adopted by resolution of the City Council on March 20, 2019, following notice to property owners and a public hearing held at least 45 days after the notice had been mailed, in compliance with Articles XIIC and XIID.

Further, the City believes its water rates and charges do not constitute "taxes" under Article XIIC as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIIC, they are "property-related fees imposed in accordance with the provisions of Article XIID" (and are also charges for a "property-related service" as defined in subsection 2(g) of Article XIID) and because, as described in subsection 1(e)(2) of Article XIIC, they are charged for water service, "a specific government service or product provided directly to the payor that is not provided to those not charged."

**Conclusion.** It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the 2020 Bonds.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for water services, or to call into question previously adopted water services rate increases.

## **Coronavirus**

A novel strain of coronavirus known as COVID-19 that was first reported in China has since spread to other countries, including the United States, and is considered a Public Health Emergency of International Concern by the World Health Organization. The spread of COVID-19 has led to quarantine and other "social distancing" measures undertaken by government agencies, businesses, schools and other entities. While the effects of COVID-19 may be

temporary, it appears to be altering the behavior of businesses and people in a manner that may negatively affect global and local economies. In addition, stock markets in the U.S. and globally have seen significant volatility that has been attributed to coronavirus concerns. The COVID-19 outbreak is ongoing, and its dynamic nature, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities to contain the outbreak or to treat its impact, are uncertain. Currently there is no vaccine for COVID-19 and the timing for the development and availability of a vaccine is unknown. While the Centers for Disease Control and Prevention has stated that the COVID-19 virus has not been detected in drinking water and that conventional water treatment methods, such as those used by the Water System, should remove or inactivate the COVID-19 virus, the City can provide no assurance regarding the extent or duration of the COVID-19 outbreak, nor any adverse effects on the operations of the City or the Water System.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the 2020 Bonds or, if a secondary market exists, that any 2020 Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the 2020 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2020 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the 2020 Bonds or obligations that present similar tax issues as the 2020 Bonds.

## **TAX MATTERS**

***Federal Tax Status.*** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2020 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2020 Bonds.

***Tax Treatment of Original Issue Discount and Premium.*** If the initial offering price to the public at which a 2020 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2020 Bond is sold is greater than the amount payable at maturity thereof, then such difference

constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2020 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2020 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2020 Bonds who purchase the 2020 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2020 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2020 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2020 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2020 Bond (said term being the shorter of the 2020 Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2020 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2020 Bond is amortized each year over the term to maturity of the 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2020 Bond premium is not deductible for federal income tax purposes. Owners of premium 2020 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2020 Bonds.

**California Tax Status.** In the further opinion of Bond Counsel, interest on the 2020 Bonds is exempt from California personal income taxes.

**Other Tax Considerations.** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2020 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2020 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2020 Bonds, or as to the consequences of owning or receiving interest on the 2020 Bonds, as of any future date. Prospective purchasers of the 2020 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2020 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2020 Bonds, the ownership, sale or disposition of the 2020 Bonds, or the amount, accrual or receipt of interest on the 2020 Bonds.

## **LITIGATION**

To the knowledge of the City, there is no controversy or litigation of any nature now pending or threatened restraining or enjoining the execution and delivery of the 2020 Bonds, the Indenture, the 2020 Installment Sale Agreement or in any way contesting or affecting the validity of the 2020 Bonds or any proceedings of the City or the Authority taken with respect to the execution and delivery thereof.

## **APPROVAL OF LEGALITY**

The 2020 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney. Certain legal matters will be passed upon for the City by its Disclosure Counsel, Jones Hall, A Professional Law Corporation, San Francisco, California and for the Underwriter by Kutak Rock LLP, Los Angeles, California.

Payment of the fees and expenses of Bond Counsel and Underwriter's Counsel is contingent upon execution and delivery of the 2020 Bonds.

## **FINANCIAL STATEMENTS**

The Pun Group, Certified Public Accountants (the "Auditor"), audited the financial statements of the City for the Fiscal Year ended June 30, 2019. The Auditor's examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See "APPENDIX B – Audited Financial Statements of the City for Fiscal Year Ended June 30, 2019."

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City and has not participated in the preparation of, or reviewed, this Official Statement.

## **RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), is expected to assign the 2020 Bonds the long-term rating of "AA-".

The rating reflects only the views of S&P, and any explanation of the significance of such rating may be obtained only from S&P. There is no assurance that the rating will remain in effect

for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in their judgment, circumstances so warrant. The City undertakes no responsibility to oppose any such revision or withdrawal. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the 2020 Bonds.

## **CONTINUING DISCLOSURE**

The City will covenant for the benefit of owners of the 2020 Bonds to provide certain financial information and operating data relating to the City by not later than 9 months after the end of each fiscal year of the City (currently June 30th), commencing with the report for the 2019-20 Fiscal Year (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system (“**EMMA**”). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in “APPENDIX F – Form of Continuing Disclosure Certificate,” attached to this Official Statement. These covenants have been made in order to assist the underwriter of the 2020 Bonds in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

The City has entered into a number of continuing disclosure undertakings in connection with City obligations, including obligations payable from the City’s General Fund, as well as obligations payable from the revenues relating to the Water System and the City’s electric and wastewater utilities. During the past five years, the City has prepared continuing disclosure reports pursuant to these undertakings.

Within the past five years, the City and certain of its related entities have failed to comply in certain respects with continuing disclosure obligations related to outstanding indebtedness, by (i) filing audited financial statements and operating data on EMMA for Fiscal Years 2014-15 and 2017-18 up to 24 days late and (ii) failing to associate certain filings on EMMA with all relevant CUSIPs of outstanding indebtedness.

The City has adopted a disclosure policy intended to assure future compliance with the City’s continuing disclosure requirements.

## **MUNICIPAL ADVISOR**

Fieldman, Rolapp & Associates, Inc. (the “**Municipal Advisor**”) has assisted the City with various matters relating to the planning, structuring and delivery of the 2020 Bonds. The Municipal Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Municipal Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement. The Municipal Advisor will receive compensation from the City contingent upon the sale and delivery of the 2020 Bonds.

## **UNDERWRITING**

The 2020 Bonds are being purchased by Piper Sandler & Co. (the “**Underwriter**”), at a purchase price of \$28,740,357.44 (which represents the aggregate principal amount of the 2020

Bonds (\$25,390,000.00), plus a net original issue premium of \$3,412,913.30, less an Underwriter's discount of \$62,555.86).

The purchase agreement relating to the 2020 Bonds provides that the Underwriter will purchase all of the 2020 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the 2020 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Piper Sandler & Co. has entered into a distribution agreement with Charles Schwab & Co., Inc. (“**CS&Co.**”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the agreement, CS&Co. will purchase the 2020 Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any 2020 Bonds that CS&Co. sells.

#### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Upon delivery of the 2020 Bonds, Causey Demgen & Moore P.C., independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts deposited pursuant to the Escrow Agreement to pay the applicable redemption price of and accrued interest on, the Refunded Bonds on June 1, 2020.



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## APPENDIX A

### GENERAL INFORMATION ABOUT THE CITY OF LODI AND SAN JOAQUIN COUNTY

*The following information concerning the City of Lodi (the “City”) and San Joaquin County (the “County”) are included only for the purpose of supplying general information regarding the community. The 2020 Bonds are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

#### General

**The City.** The City is located in the County of San Joaquin (the “County”) between Stockton and Sacramento, and adjacent to U.S. Highway 99, approximately 90 miles east of San Francisco. The City was incorporated as a General Law City on December 6, 1906.

The City operates under a City Council-Manager form of government and provides the following services: public safety (police, fire and graffiti abatement), public utilities services (electric, water and sewer), transportation services (streets, flood control and transit), leisure, cultural and social services (parks and recreation, library, and community center), and general government services (management, human resources administration, financial administration, building maintenance and equipment maintenance).

**The County.** The County is one of California’s original counties and was created at the time of statehood in 1850. The County covers an area of approximately 1,436 square miles, consisting of 1,399 square miles of land and 27 square miles of water. The County is adjacent to Stanislaus County to the south and southeast, Alameda and Contra Costa Counties to the west, Sacramento County to the north, Amador County to the northeast, Calaveras County to the east and a corner of Santa Clara County to the southwest.

#### Population

Population figures for the City, the County and the State for the last six years are shown in the following table.

#### CITY OF LODI, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA Population Estimates Calendar Years 2014 through 2019, as of January 1

<u>Calendar Year</u>	<u>City of Lodi</u>	<u>San Joaquin County</u>	<u>State of California</u>
2014	63,700	713,315	38,622,301
2015	64,503	724,859	38,952,462
2016	65,074	736,027	39,214,803
2017	65,981	747,579	39,504,609
2018	67,042	757,279	39,740,508
2019	68,272	770,385	39,927,315

*Source: State Department of Finance estimates.*

## Employment and Industry

The City is included in the Stockton Metropolitan Statistical Area (“**MSA**”), which includes all of San Joaquin County. The unemployment rate in the County was 4.7% in September 2019, down from a revised 5.7% in August 2019, and below the year-ago estimate of 5.0%. This compares with an unadjusted unemployment rate of 3.5% for the State and 3.3% for the nation during the same period.

Set forth below is data from calendar years 2014 to 2018 reflecting the County’s civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

**STOCKTON-LODI MSA  
(San Joaquin County)  
Annual Average Labor Force and Employment by Industry  
Calendar Years 2014 through 2018  
(March 2018 Benchmark)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Civilian Labor Force <sup>(1)</sup>	312,000	314,600	318,500	323,600	326,400
Employment	279,200	286,600	292,600	301,100	306,800
Unemployment	32,900	28,000	25,900	22,600	19,600
Unemployment Rate	10.5%	8.9%	8.1%	7.0%	6.0%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	15,700	16,700	16,600	16,300	16,100
Mining and Logging	100	100	100	100	100
Construction	8,900	10,100	11,100	11,700	12,700
Manufacturing	18,600	18,700	18,900	19,400	19,700
Wholesale Trade	11,000	11,300	11,600	12,000	12,600
Retail Trade	25,700	26,000	26,500	26,800	26,600
Transportation, Warehousing and Utilities	18,300	20,400	23,600	26,700	28,400
Information	2,100	1,900	2,000	1,800	1,800
Financial Activities	7,500	7,400	7,500	7,800	8,100
Professional and Business Services	18,300	19,400	19,600	19,200	19,600
Educational and Health Services	35,900	36,500	36,400	38,200	38,500
Leisure and Hospitality	19,100	19,700	20,500	21,500	22,000
Other Services	6,900	7,200	7,500	7,600	7,600
Federal Government	3,100	3,000	3,000	3,100	3,100
State Government	5,800	6,200	6,400	6,600	6,700
Local Government	29,600	30,400	31,400	32,800	33,700
Total All Industries <sup>(3)</sup>	226,700	234,900	242,600	251,600	257,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Largest Employers

The following table lists the major employers within the County, listed in alphabetical order without regard to the number of employees, as of November 2019.

### SAN JOAQUIN COUNTY Major Employers As of November 2019

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
A Sambado & Sons Inc	Linden	Nuts-Edible
Amazon Corpnet	Tracy	Internet & Catalog Shopping
Amazon Fulfillment Ctr	Stockton	Mail Order Fulfillment Service
Blue Shield of California	Lodi	Insurance
Dameron Hospital Assn	Stockton	Hospitals
Deuel Vocational Institution	Tracy	City Govt-Correctional Institutions
Foster Care Svc	Stockton	Government Offices-County
Juvenile Justice Div CI	Stockton	State Govt-Correctional Institutions
Leprino Foods Co	Tracy	Cheese Processors (mfrs)
Lodi Health Home Health Agency	Lodi	Home Health Service
Lodi Memorial Hospital	Lodi	Hospitals
Morada Produce	Stockton	Fruits & Vegetables-Growers & Shippers
NA Chaderjian Youth	Stockton	State Govt-Correctional Institutions
Pacific Coast Producers	Lodi	Canning (mfrs)
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Ctr	Tracy	Distribution Centers (whls)
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin County Sch	Stockton	School Districts
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Government Offices-County
Sjgov	Stockton	Government Offices-County
St Joseph's Cancer Ctr	Stockton	Cancer Treatment Centers
Stockton Police Dept	Stockton	Police Departments
Stockton Unified School Dist	Stockton	School Districts
Walmart Supercenter	Stockton	Department Stores

*Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.*

The following table lists the ten principal employers within the City, by number of employees, as of June 30, 2019.

**CITY OF LODI  
Principal Employers  
As of June 30, 2019**

<b><u>Employer Name</u></b>	<b><u>Number of Employees</u></b>
Lodi Unified School District	2,109
Pacific Coast Producers	1,350
Adventist Health Lodi Memorial	1,270
Blue Shield of CA	901
Walmart	410
City of Lodi	381
TreeHouse	301
Costco	256
Farmers & Merchant Bank	204
Frank C Alegre Trucking Inc.	200

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*Source: City of Lodi Comprehensive Financial Report for fiscal year ended June 30, 2019.*

## Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures are yet not available for calendar year 2018.

Total taxable sales during the first quarter of calendar year 2018 in the City were \$255,731,022, a 7.92% increase over the total taxable sales of \$236,965,791 reported during the first quarter of calendar year 2017.

**CITY OF LODI**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	1,143	\$701,339	1,660	\$871,322
2014	1,218	737,192	1,737	911,681
2015 <sup>(1)</sup>	1,260	737,754	1,886	909,889
2016	1,327	779,583	1,987	947,638
2017	1,300	856,206	1,972	1,029,268

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. *Taxable Sales in California (Sales & Use Tax) for years 2013-2016.* State Department of Tax and Fee Administration for year 2017.

Total taxable sales during the first quarter of calendar year 2018 in the County were \$3,019,083,970, a 10.74% increase over the total taxable sales of \$2,726,400,144 reported during the first quarter of calendar year 2017.

**SAN JOAQUIN COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	8,754	\$6,519,537	12,752	\$9,466,015
2014	8,900	6,780,160	12,865	10,031,845
2015 <sup>(1)</sup>	4,958	6,986,878	14,255	10,467,214
2016	9,480	7,380,226	14,682	10,922,271
2017	9,506	7,994,473	14,758	12,153,268

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2015 through 2019.

### CITY OF LODI AND SAN JOAQUIN COUNTY Median Household Effective Buying Income 2015 through 2019

	2015	2016	2017	2018	2019
City of Lodi	\$40,478	\$42,890	\$44,142	\$46,144	\$50,111
San Joaquin County	44,235	46,491	48,149	49,883	55,534
California	50,072	53,589	55,681	59,646	62,637
United States	45,448	46,738	48,043	50,735	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

## Building Activity

The tables below summarize building activity in the City and the County for the past five available years.

### CITY OF LODI Building Permit Activity For Calendar Years 2014 through 2018 (Dollars in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$5,473.1	\$21,470.6	\$47,331.6	\$54,475.9	\$55,587.1
New Multi-family	0.0	0.0	13,501.8	16,178.1	0.0
Res. Alterations/Additions	<u>3,679.8</u>	<u>4,261.5</u>	<u>4,619.9</u>	<u>4,791.8</u>	<u>7,349.5</u>
Total Residential	\$9,152.9	\$25,732.1	\$65,453.3	\$75,445.8	\$62,936.6
New Commercial	\$928.9	\$24,506.4	\$6,019.3	\$21,785.2	\$10,987.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	3,169.5	1,595.8	2,568.9	3,478.6	5,402.4
Com. Alterations/Additions	<u>9,676.0</u>	<u>4,064.0</u>	<u>16,162.1</u>	<u>17,768.4</u>	<u>10,005.7</u>
Total Nonresidential	\$13,774.4	\$30,166.2	\$25,750.3	\$43,032.2	\$26,395.1
<u>New Dwelling Units</u>					
Single Family	21	80	189	168	243
Multiple Family	<u>0</u>	<u>0</u>	<u>82</u>	<u>134</u>	<u>0</u>
TOTAL	21	80	271	302	243

Source: Construction Industry Research Board, Building Permit Summary.

### SAN JOAQUIN COUNTY Building Permit Activity For Calendar Years 2014 through 2018 (Dollars in Thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$318,760.2	\$455,877.1	\$467,494.7	\$652,308.1	\$883,071.1
New Multi-family	4,726.9	48,792.9	66,794.5	62,635.8	99,601.4
Res. Alterations/Additions	<u>78,511.0</u>	<u>42,764.8</u>	<u>99,049.9</u>	<u>86,516.1</u>	<u>95,073.4</u>
Total Residential	\$401,998.1	\$547,434.8	\$633,339.1	\$801,460.0	\$1,077,745.9
New Commercial	\$57,241.2	\$177,272.0	\$218,485.4	\$357,856.9	\$498,359.0
New Industrial	29,357.3	85,322.6	61,687.0	179,728.4	240,073.7
New Other	27,555.0	44,373.1	46,379.4	27,794.7	31,904.4
Com. Alterations/Additions	<u>89,630.8</u>	<u>193,659.3</u>	<u>298,721.9</u>	<u>269,172.8</u>	<u>249,142.4</u>
Total Nonresidential	\$203,784.3	\$500,627.0	\$625,273.7	\$834,552.8	\$1,019,479.5
<u>New Dwelling Units</u>					
Single Family	1,214	1,698	1,754	2,078	2,765
Multiple Family	<u>19</u>	<u>387</u>	<u>550</u>	<u>516</u>	<u>293</u>
TOTAL	1,233	2,085	2,304	2,594	3,358

Source: Construction Industry Research Board, Building Permit Summary.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE CITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

For the Year Ended  
**June 30, 2019**



**CITY OF  
LODI, CALIFORNIA**

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# CITY OF LODI, CALIFORNIA



**MARK CHANDLER, MAYOR**

**DOUG KUEHNE, MAYOR PRO TEM  
ALAN NAKANISHI, COUNCILMEMBER  
BOB JOHNSON, COUNCILMEMBER  
JOANNE MOUNCE, COUNCILMEMBER**

**STEVE SCHWABAUER, CITY MANAGER**

**Prepared by the Financial Services Division  
Melissa Munoz, Accounting Manager  
Robin Xiang, Supervising Accountant  
Harron Akbar, Accountant**

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**INTRODUCTORY SECTION**

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CITY COUNCIL  
MARK CHANDLER, Mayor  
DOUG KUEHNE,  
Mayor Pro Tempore  
BOB JOHNSON  
JOANNE MOUNCE  
ALAN NAKANISHI

# CITY OF LODI

2015 "Wine Region of the Year"

INTERNAL SERVICES – FINANCIAL  
SERVICES 310 WEST ELM STREET  
P.O. BOX 3006  
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(209) 333-6800 / FAX (209) 333-6795  
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STEPHEN SCHWABAUER  
City Manager  
JENNIFER M. FERRAILO  
City Clerk  
JANICE D. MAGDICH  
City Attorney  
ANDREW KEYS  
Deputy City Manager/  
Internal Services Director

**February 19, 2020**

**To the Honorable Mayor, Members of the City Council  
of the City of Lodi:**

The Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019, is hereby submitted. This report is provided to present the financial position, changes in financial position, and where applicable, cash flows of the City of Lodi (City) as of and for the year ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America (GAAP). The report conforms to the highest standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), for reporting by state and local governments. The responsibility for the accuracy, fairness and completeness of the report rests with the City.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report based on a comprehensive internal control framework established for this purpose. We believe that the information is accurate in all material respects, and that it is presented in a manner designed to fairly present the financial position and changes in financial position of the City. In addition, we believe that all disclosures necessary to enable the reader to gain a full understanding of the City's financial activities have been included.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

## **THE REPORTING ENTITY AND SERVICES PROVIDED**

The funds included in the CAFR are those deemed dependent upon the City, controlled by the City Council, and the financial reporting entity of the City in accordance with GASB Statement No. 14, as amended by GASB Statement Nos. 61 and 80.

The City was incorporated December 6, 1906, as a municipal corporation under the general laws of the State of California. The City operates under a Council-Manager form of government. Under the Council-Manager form of government, policy making and legislative authority are entrusted to the City Council. The City Council consists of five members elected by district by its voters for four-year terms, with no term limits. Elections are held in November of even-numbered years. Each year the Mayor and Mayor Pro-Tempore are chosen by the members of the City Council. The Mayor presides at Council meetings and acts as the ceremonial head of the City, the Mayor Pro Tempore serves as Mayor in his or her absence. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for appointing department heads, and overseeing the operations of the City. The City Manager, City Attorney and the City Clerk are appointed by the City Council.

The City provides a wide range of municipal services including public protection (police and fire), public utilities services (electric, water, and wastewater), public works, transit services, parks and recreation, library, community development, and general government (City Manager, City Clerk, City Attorney, human resources, information systems, financial services, and budget and treasury).

Several municipal services are provided through other government agencies, private companies or public utility companies, including:

	<b>Number of Facilities</b>
Elementary and Secondary Schools	39
Sanitation (solid waste) and Cable Television	3
Ambulance	1
Gas and Telephone	2

**ECONOMIC CONDITION AND OUTLOOK**

The City of Lodi is located in California’s fertile San Joaquin Valley, adjacent to State Highway Route 99, between Stockton, 10 miles to the south, and Sacramento, 35 miles to the north. The City population is estimated at approximately 68,300 and is contained in an area of 13.98 square miles. The City has grown steadily since incorporation in 1906. The City’s growth is provided for in both the General Plan and the City’s Growth Management Allocation Ordinance that allows an increase in population of 2% per year until the growth limits are reached.

The City is built on a strong and diverse local economy. Lodi is best known for its Zinfandel wines; however, Lodi is an authentic and dynamic wine region with more than 80 wineries within 10 miles of downtown. The City’s employment base is just as diverse with industry that includes agribusiness, biotechnology, distribution, food and beverage product manufacturing, general service, government, health care, heavy manufacturing, and of course, wine based tourism and lodging.

In addition, the City has a wide range of small, financially sound businesses that add to the economic strength of the City. These companies range in size from approximately 10 to 3,500 employees and produce a wide variety of products, services and commodities.

The City is growing. Over the last few years it has seen significant new commercial, industrial and residential development projects come to fruition. The past few years has seen on average 200 new single family homes constructed and sold. The City has entitled over 2,000 residential lots that will allow a consistent amount of residential growth over the next eight to ten years. The City’s first market rate apartment complex in over 25 years has completed construction and is fully rented. A 142 unit senior apartment complex will be finishing construction in late 2019. Another 150 unit senior apartment complex will begin construction in 2019 with occupancy in late 2020. The City has seen commercial investment in pad buildings, stand-alone commercial developments and entertainment facilities with a new bowling alley. A new 400,000 sq. ft. wine storage facility is being constructed, showing the ever growing strength of the wine grape and tourism industries; all this activity is a positive indicator for the City moving forward. The City’s focus on economic development, compact development and quality of life has encouraged these investments within the City, collectively creating hundreds of new employment and housing opportunities.

The most difficult budget issue facing the City is the California Public Employees’ Retirement System (CalPERS) funding crisis. The City is well aware of this challenge and is taking aggressive steps to address this concern. In December 2017, the City approved a Pension Stabilization Funding Policy that requires unassigned reserves in excess of the General Fund target be invested at Public Agency Retirement System (PARS) in an IRS Section 115 irrevocable trust known as a Pension Rate Stabilization Program. Non General Funds must contribute their proportional share to the trust as well. The City has continued to contribute excess budget reserves to the trust account. More details can be found in the Economic Factors and Next Year’s Budget section of the Management’s Discussion and Analysis in this report.

The City of Lodi has worked hard in recent years to protect key measures of quality of life that residents tell us they value – safe neighborhoods, adequate emergency response, decent roads and more. Residents desire the City to maintain or increase current levels of service while also being fiscally responsible. In November 2018, Lodi’s residents successfully passed a ½ cent sales tax, Measure L. Measure L revenue will go to maintaining neighborhood police patrols and gang violence interventions to help reduce crime; improve emergency 911 rapid response times by restoring firefighter and adding police positions; fix

potholes and maintain city streets; repair/upgrade Lodi Lake Park and our trail system, and maintain recreation facilities/programs; provide homelessness solutions, including both intervention services and enforcement. Measure L was effective as of April 1, 2019. As part of the mid-year budget, Council approved adding six new police officers and three new firefighters to fully fund Engine One. In this fiscal year, Measure L will begin to fund capital improvement projects that are important to the community. The sales tax measure should bring in approximately \$5.2 million in additional general revenues to the City. More details can be found in the Economic Factors and Next Year's Budget section of the Management's Discussion and Analysis in this report.

### **Economic Development**

In addition to Measure L, the City continues its commitment to economic development (business retention and attraction) and expanding the tax base to fund City services. Two significant economic development projects in 2019 are the Candlewood Suites and Fairfield Inn & Suites projects, which when completed would add to the transient occupancy, sales tax and property tax revenues. In the last year, Lodi had identified and implemented activities to expand tax and other revenue opportunities, jumpstart a strong business retention and expansion program, increase entertainment opportunities for families and young people, collaborate with local and regional transportation and other economic development agencies to address infrastructure and secure business leads.

In 2019, Lodi's local economy employs just over 33 thousand people. Since 2016, the employment grew at a rate of about 2.05 percent per year. The most common employment sectors for those who live in Lodi are Health Care & Social Assistance (3,446 people), Educational Services (2,932 people), and Retail Trade (2,894 people). Other common employment sectors are Construction (3,014), Manufacturing (2,593), and Agriculture (2,452). The highest paid employment sectors are Utilities, Professional, Scientific, & Technical Services, and Public Administration with average earnings per job of \$77,159, \$64,447, and \$61,797, respectively. The median household income in Lodi is \$52,244. The median property value in Lodi, is \$269,400 and the homeownership rate is 53.9 percent. The largest share of households pay between \$2,000 and \$3,000 in total taxes. In 2018-2019, 28.5 percent of the population in Lodi had at least a High School diploma, 12.72 percent had a Bachelor's Degree, and 6.95 percent had at least one Graduate Degree.

Tourism continues to be a major driving factor of the local economy. Two hotel developments that present significant opportunity for economic development are underway. The Candlewood Inn and Suites and the Fairfield Inn and Suites are currently in building review or active construction. Both are expected to open in FY 2020.

The City saw unprecedented growth with 2,268 dwelling units among twelve residential development projects. These projects have been approved and the dwelling units are fairly evenly divided among low, medium and high density units. Sales for five of these projects are ongoing. Construction will continue to proceed on additional developments over the coming year.

In addition to the growth on the residential side, the City has experienced growth in the downtown area of Lodi. New restaurants and expansion of current restaurants include Five Windows Beer Company, Idol Beer Works, Brick House and The Oxford. Currently under construction is the new Lodi Bowling Alley, Papapavlos Bistro & Bar in other areas of Lodi.

### **Lodi's Target Industries**

#### Research, Development and Technology

With an impressive base of companies that operate alongside each other, and not far from the state capital, Lodi offers a stable environment for two industry sectors highly dependent on research, development and quickly-evolving technology, grape growing and agriculture, and advanced medical technology.

From young entrepreneurs to scientific researchers at the close-by UC Cooperative Extension Service, and from established businesses like Ag Industrial Machinery and Acampo Machine Works, patented and patent-pending technological solutions for the management of agricultural crops are tried and tested in Lodi. Among them are Agro Thermal Systems, a technological breakthrough for wine growers aimed at flavor development, enhancement of flowering, and deepening of color. Yield enhancement technology has been integrated into olives, almonds, walnuts and cherries as well.

In addition to agricultural research and technology, other industries centering on technology have moved into Lodi. Industry leaders in precision manufacturing of optically-clear laboratory consumables to healthcare clinical testing materials, Cepheid and Scientific Specialties, together employ over 400 full-time employees in Lodi. Transportation access, abundance of water, low cost land, and affordable, reliable municipal power served as key location factors for these companies.

### Manufacturing

Lodi could very well represent the future of new manufacturing locations. Choosing Lodi as a business location for manufacturing has a substantial bearing on a company's cost of labor, tax burden, transportation costs, utility expenditures, and other major expense categories. Manufacturers like North American Pipe Company, Pacific Coast Producers, Epic Plastics, Archer Daniels Midland, Holz Rubber, Lodi Iron Works, Lustre-Cal, Mepco Label Systems, Schaefer Systems International, and Miller Packing comprise the largest share of Lodi's manufacturing sector. These manufacturers found key location factors in Lodi including 1) availability of an efficient power supply, 2) availability of affordable water, 3) proximity to raw materials, 4) access to markets, 5) labor supply, 6) transportation access, and 7) affordable rents and tax burden.

In 2018-2019, a total of 38 businesses in food processing, plastics and other manufacturing, generated an estimated level of sales of \$520 million (2018-2019 San Joaquin Partnership Annual Report).

### Healthcare

From forming strategic partnerships to enhance patient care, to harnessing cutting edge technology, Lodi is home to one of the top healthcare systems in the state. With many renowned facilities and specialties, Adventist Health Lodi Memorial (AHLM) employs more than 1,100 employees. Lodi-based world-renowned surgeon, Dr. Stephen Howell, developed an FDA-approved kinematic alignment using a 3D technology to map the knee as it was before arthritis develops allowing a custom, individualized placement of the implant in the knee for each patient. Better outcomes included faster recovery times, function, and flexion, pain relief, and improved implant survival. Dr. Howell trains surgeons all over the world in this first-generation tool.

### Transportation, Distribution and Logistics (TDL)

Lodi is strategically located between Interstate 5 and State Route (SR) 99. Since 2018-2019, there are an estimated number of 33 transportation and logistics businesses in Lodi generating \$33.98 million in sales (2018-2019 San Joaquin Partnership Annual Report). With a rapidly growing number of logistic businesses in the area, Lodi and the San Joaquin Valley are quickly becoming a logistics hub. In addition to major interstate highways and rail systems, Lodi's transportation and logistics target industry is also served by a regional deep-water port and airport located just nine miles to the south in Stockton.

The City of Lodi supports transportation, distribution and logistics in Lodi by serving on the TDL Partnership, a Delta College Initiative and workforce intermediary to strengthen the talent pipeline for skilled commercial drivers and other TDL trades. The partnership of Delta College, Adult Education Academies, and two local unified school districts work with local employers to receive on- the- job training and classroom preparation to excel in this industry which leads to family sustaining wages.

Approximately 77 acres of vacant and undeveloped land with immediate interstate access are available in Lodi and suitable for the development of transportation and logistics services. At least another 66 acres are available for TDL purposes with 1.7 miles from SR 99.

In 2019, Transportation, Distribution and Logistics was the top growth industry in San Joaquin County and was second in terms of location quotient, a measure of how concentrated a particular industry, cluster, and occupation is in a region. In 2018, TDL was fifth in Gross Regional Product in San Joaquin County.

The PG&E facilities that provide transmission of power to the Lodi Electric Utility system are NOT located within high fire threat areas and as such, there is a low risk of a power shut off by PG&E as it relates to Lodi's interconnected facilities. Should PG&E determine the need to shut off larger transmission facilities that serve areas throughout California, there is a possibility that Lodi Electric, as well as other publicly owned utilities, could experience outages. To date, Lodi Electric Utility's distribution system has not been impacted by PG&E PSPS events.

California faces a continued and growing threat of extreme weather and wildfires. As an additional precautionary measure following the 2017 and 2018 wildfires, PG&E enhanced and expanded its Community Wildfire Safety Program. Part of that program includes turning off power during extreme weather or wildfire conditions. While the City of Lodi Electric Utility owns, operates and maintains Lodi's electric system which provides power to Lodi residents and businesses, Lodi's electric system is interconnected with the system of PG&E.

## MAJOR GOALS, OBJECTIVES AND PROJECTS

To assist the citizens of the City in understanding where the City intends to allocate available resources, the City Council, the City Manager and Department Heads established in 2004 a hierarchy of major aspirational goals, objectives and major projects that support and reinforce the City's mission statement. Council then set project specific goals at a series of workshops in 2016.

### 1.) Aspirational Goals

Four major City goals were established as policy direction and focal points for the efforts of City staff.

These goals include:

- Ensure a High Quality of Life and a Safe Environment for Citizens,
- Ensure Efficient and Productive City Organization,
- Ensure Public Trust, and
- Ensure the Development of the Lodi Economy for a Fiscally Sound City Organization.

City Council, the City Manager and Department Heads established nineteen major City objectives:

- Maintain City's Sense of Community
- Provide Employee Training and Education
- Provide for a Balanced Community
- Evaluate Telecommunications Opportunities
- Enhance Access through Implementation of IT Strategic Plan
- Provide Resources to Maintain City's Infrastructure
- Promote Urban Forestry
- Promote Public Relations and Marketing Efforts
- Attract, Retain and Invest in a Quality City Work Force
- Ensure Open and Accessible Public Meetings
- Encourage Public Arts, Cultural and Recreational
- Opportunities
- Pursue Efforts to be Entrepreneurial
- Provide Appropriate and Sufficient City Facilities
- Improve Customer Service
- Develop Short and Long Range Operational Plans
- Continue to use Partnerships to Advance City's Objectives
- Develop Effective Records Management Program
- Provide a Balanced Budget and Adhere to Adopted Policies
- Promote Commercial/Industrial Base

## 2.) Project Specific Goals

These projects are designed to accomplish specific objectives and become the focus for organization-wide effort. Council set the following priorities and categories in 2016:

- Economic development for “shovel ready” land
- Economic development and incentive program to focus on underutilized parcels
- Public Safety, Gang Reduction Intervention Program, training and increase in staffing
- Fiscal sustainability, asset preservation, CALPERS and Other Postemployment Benefits
- East side rehabilitation, incentive programs and infrastructure

Additional priorities that did not fit into the above categories include 1) addressing homelessness issues, 2) providing downtown Wi-Fi and music, and 3) beautification of highway overpasses.

As discussed above, economic revitalization continued to be an active focal point of the City in fiscal year 2018-19. The following projects were recently completed, are underway and will see significant progress, or be completed in 2019.

### **Lockeford Street Improvement Project**

This project consists of reconstructing East Lockeford Street. The project provides for bike lanes, a two-way left turn lane, traffic signals, sidewalks and improved lighting. Construction began in April 2019 and is estimated to be completed in October 2019. The construction cost to complete this project is \$3.8 million and is mostly funded by State and Federal grants.

### **Residential Development**

The City has twelve residential development projects that have been approved and total about 2,268 dwelling units. Dwelling units are fairly evenly divided among low, medium and high density units. Sales in five of the twelve projects are ongoing. Construction is proceeding in eight of the twelve projects this year and the remaining four are expected to begin construction in late 2019 / early 2020.

### **Downtown and Infill Development**

The City has seen some growth in the downtown area of Lodi with the beer segment which includes Five Windows Beer Company, Idol Beer Works, a brewery expansion at Lodi Beer Company, and a beer/distillery expansion at Dancing Fox. In addition, there are new restaurants that will be coming to downtown, including Brick House, and The Oxford, occupying critical vacant space in the sector.

Currently under construction on the outskirts of downtown, is a Papapavlos Bistro & Bar. Across Lockeford Street is the new Lodi Bowling Alley. This project consists of a two-story bowling alley that will be equipped with 34 lanes, bar and banquet room. Both projects will put vacant land to use, generating foot traffic on the edges of downtown.

### **Hotel Development**

Two hotel developments that present significant opportunity for economic development and new tax revenue are underway. The 95 room Candlewood Inn and Suites is finishing construction and will be open by late September 2019. The 72 room Fairfield Inn and Suites is currently under construction and is scheduled to open in March 2020.

### **Water Meters and Water Infrastructure.**

Under state law, all residential housing must be billed for water usage on a metered basis by 2025. The City has embarked on a program to install meters on approximately 16,000 parcels over an eleven year period. A portion of this project will also include moving mains and service connections from alleys and rear yards to streets and front yards. Additionally, the City will be appropriately sizing water mains as part of this project. Construction began during fiscal year 2009-10 and will continue through fiscal year 2020-21. To date, approximately 15,300 meters have been installed. Estimated cost for the complete program is \$42.5 million. The final phase of construction will begin in FY2020.

### **Candy Cane Park Playground**

In February 2019, the Parks and Recreation Commission confirmed the selection of Candy Cane Park for renovation. The park is undergoing an extreme makeover, which includes replacing of sidewalks and curbing, a larger play area and modified irrigation due to changing hardscape. The project is estimated at \$350,000 with funding coming from Parks and Recreation funds, Measure L and the Street fund.

## **FINANCIAL INFORMATION, MANAGEMENT AND CONTROL**

A detailed understanding of the financial position and change in financial position of the City is provided in the following sections of this report. The following is a brief description of the City's financial condition, management practices and control techniques.

### **Basis of Accounting**

Basis of accounting refers to the policy as to when revenues, expenditures or expenses are recognized in the financial accounts and reported in the financial statements. The City's accounting records for general government operations are maintained on a modified accrual basis. Revenues are recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liability incurred. For proprietary fund types, the City uses the accrual basis of accounting. As such, the measurement focus is on operating income in addition to financial position and changes in financial position. Revenues are recognized when earned and expenses are recognized as the liability is incurred. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Accounting System and Budgetary Control**

In developing the City's accounting system, consideration is given to the adequacy of the internal controls. The objective of the City's internal accounting controls is to provide reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with Generally Accepted Accounting Principles. The concept of reasonable assurance recognizes that the cost of the controls should not exceed the benefits likely to be derived and that management estimates and judgments are required in evaluating these costs and benefits.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is responsible for the preparation of the budget and its implementation after adoption. The City Council has the authority to amend the budget at any time during the year. The City Manager has the authority to make adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end fund balances. During fiscal year 2018-19, the City Council and City Manager made several supplemental appropriations for operating budgets and capital projects.

### **Long Term Financial Planning**

The City has implemented a long-term financial planning practice to review the impact of current decisions on the City's General Fund. This analysis can be found in the City's budget document beginning in fiscal year 2018-19 and includes assumptions, revenue, expenditures, and fund balance projections. In addition, there is discussion of risks and opportunities not modeled. The tool is a baseline projection that provides management and policy makers a view of what the City's financial condition may be if current operations are maintained and a reasonable set of economic assumptions are made. This plan is updated periodically as new information is available that will materially impact the projection.

### **Fund Balance**

It is the City's goal to target and maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds, and at least 25% of operating expenses. Based on a reserve policy adopted in March 2018, the target for the Electric enterprise fund working capital was \$23.3 million for fiscal year 2018-19. In fiscal year 2019-20, the City has budgeted to take the first of three steps to fund another 16% Measure L Reserve fund over three years. The goals allow for variations from year-to-year to account for economic and fiscal changes. The General Fund maintained an unassigned fund balance of \$11,172,483, or 22.60% of revenues at the end of fiscal year 2018-19.

### **Cash Management**

The City has written investment policies that address a wide range of investments. These policies describe the City's investment objectives, investment authority, allowable investment vehicles, maturity terms and eligible financial institutions. They also describe the City's capital preservation and cash management objectives. As provided in the policy, investments are intended to be held until maturity and investment terms are to be consistent with the City's cash flow needs. Investment reports are issued quarterly to the City Manager and City Council to provide detailed information regarding the City's investments and compliance with City policy and state law. The policy has three objectives: (1) protect principle; (2) provide for liquidity needs, and (3) obtain the most reasonable rate of return within the first two objectives. All investment activities are to be undertaken and judged using the Prudent Investor Standard as described within the policy.

### **Appropriation Limitation**

Article XIII B of the Constitution of the State of California (Proposition 4) provides for the limitation of expenditures by state and local governments. Under the provisions of this article, City appropriations funded through tax sources may not exceed Fiscal Year 1979 appropriation levels except as adjusted for increases in population and the growth in the California per capita income or non-residential assessed valuation due to new construction within the City.

Excluded from the limitation are appropriations funded through charges for services, fines and forfeitures, grants, transfers of service responsibilities between government agencies and indebtedness incurred prior to Fiscal Year 1979. Pursuant to subsequent legislation adopted after Article XIII B, the City is required to annually establish and adopt its appropriations limit by resolution. For fiscal year 2018-19, the City's appropriations subject to limit were \$39,885,778 and the appropriation limit was \$105,753,512, leaving appropriations at \$65,867,734 below the limit.

### **Debt Administration**

At June 30, 2019, the City had outstanding Certificates of Participation and Revenue Bonds of \$126,867,624. These liabilities are discussed in Note 7 of the Basic Financial Statements and summarized below.

In 2004, the City issued \$27,360,000 in Wastewater Certificates of Participation (2004A) to finance the costs of improvements to the wastewater collection, treatment and disposal system. These bonds were partially refunded with the 2012 Refunding Wastewater Revenue Bonds, Series A.

On October 1, 2010, the City issued \$9,015,000 Water Revenue Certificates of Participation, 2010 Series A and \$29,650,000 Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) to finance the construction of the Surface Water Treatment Facility, which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system.

On September 1, 2012, the City issued \$19,080,000 Refunding Lease Revenue Bonds (2012 LRB) to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation.

The City also issued the \$17,105,000 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) in September 2012 to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation (2004 COP). The 2004 COP were issued to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City.

On March 10, 2016, the City issued the \$20,295,000 2016 Refunding Wastewater Revenue Bonds, Series A (2016 Bonds) to partially refund \$21,415,000 outstanding principal of the 2007A COP.

On December 1, 2017, the City issued \$7,762,794 Installment Purchase Agreement, refunding the Certificates of Participation, 2007 A (2007 COP).

On June 13, 2018 the City issued \$41,610,000 Electric System Revenue Refunding Bonds (2018 Bonds) to allow the City prepay and cause the immediate defeasance of the outstanding \$55,785,000 Certificates of Participation (Electric System Revenue Certifications of Participation 2008 Series A).

The City's debt management policy includes a commitment to monitor all forms of debt annually during the preparation of the City's Financial Plan and Budget to ensure compliance. Also, the City will generally conduct financing on a competitive basis, will seek an investment grade rating on any direct debt and will obtain credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability and cost effectiveness.

### **Single Audit**

The City is subject to financial and compliance reporting required by the Single Audit Act Amendments of 1996 and the Uniform Guidance, which is a requirement of all local and state governments expending in excess of \$750,000 of federal financial awards annually. As part of the Single Audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial awards, as well as to determine that the City has complied with certain applicable laws and regulations governing federal funds. The Single Audit report is published as part of the annual financial statements for easy reference.

### **Competitive Bidding Policy**

All required purchases for materials, equipment and services during fiscal year 2018-19 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of \$5,000.

### **Risk Management**

The City is self-insured for dental care, long-term disability, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance and long-term disability. Self-insurance transactions are accounted for under the Insurance Funds. At June 30, 2019, the Insurance Fund had a net position of \$4,795,016.

### **INDEPENDENT AUDIT**

The City Council requires an annual audit of the records and accounts of the City by an independent certified public accountant. To ensure proper internal control, periodically the City conducts a request for proposal (RFP) process for auditing services. The accounting firm of The Pun Group was selected to perform this audit. The independent auditor's report precedes the basic financial statements and concludes that the City's basic financial statements are presented fairly, in all material respects, in accordance with GAAP.

### **CERTIFICATES OF ACHIEVEMENT**

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 for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018. These Certificates of Achievement are prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-six consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA this year.

## **ACKNOWLEDGMENTS**

As always the professionalism, dedication and efficiency of the Financial Services Division Accounting staff made it possible for the timely preparation of this report and are to be commended. I would also like to personally thank Melissa Munoz, Accounting Manager, Robin Xiang, Supervising Accountant, Harron Akbar, Accountant and the entire Finance Team. Their work in preparing this year's CAFR is greatly appreciated.

I would also like to thank you for your continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



**Andrew Keys**  
**Deputy City Manager/Internal Services Director**



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Lodi**  
**California**

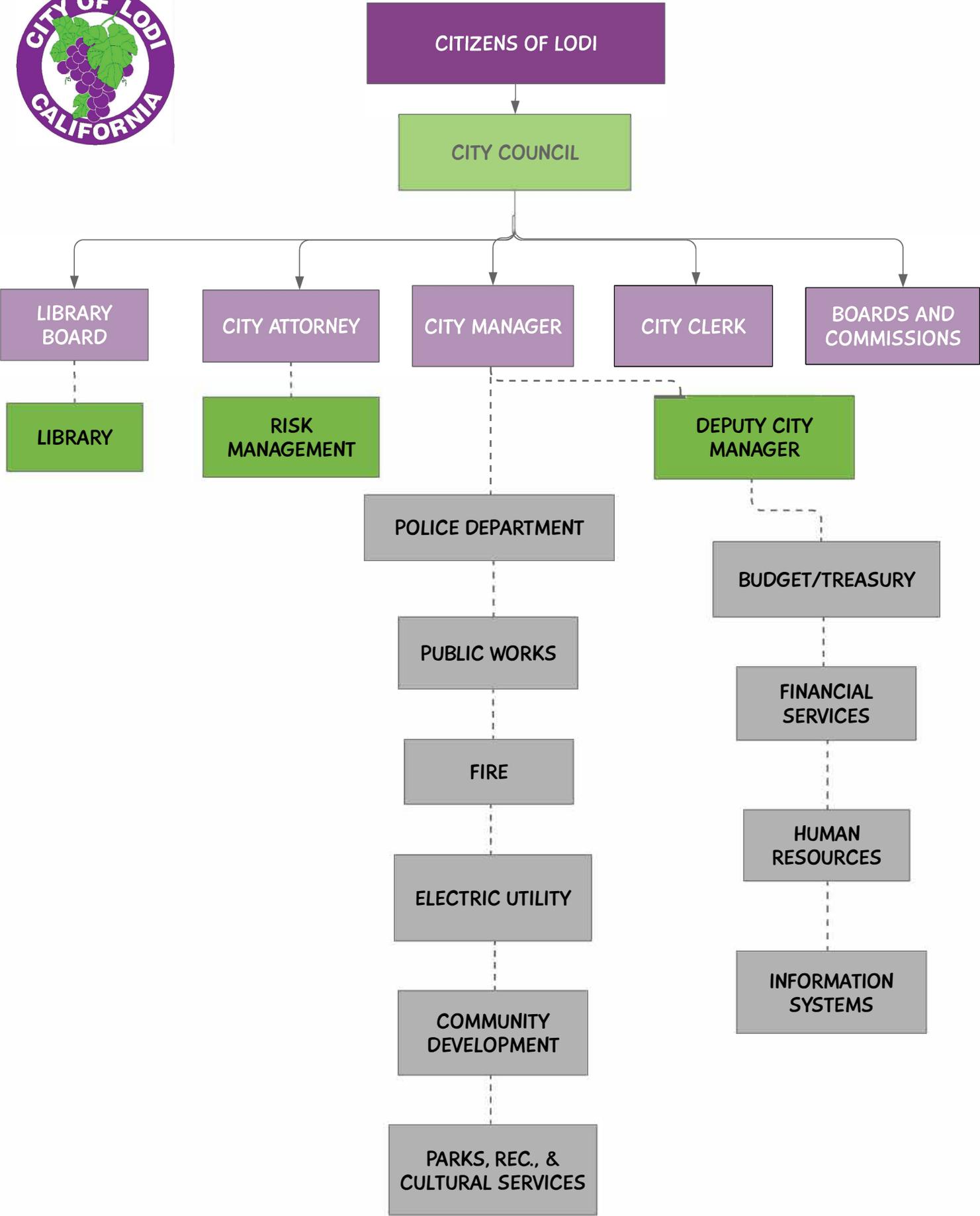
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

# CITY OF LODI ORGANIZATIONAL CHART





## Mayor and Council



Mark Chandler  
Mayor

Lodi City Council Members work to provide citizens with a better, more attractive, and healthier place in which to live. Council establishes local laws, sets policies, approves programs, appropriates funds, and supervises the operations of City government. Council Members are elected on a by-district basis from five single-member Council districts by voters residing in the district in which the Council Member resides. Council Members hold four-year terms and elections are held in November of even-numbered years.



Doug Kuehne  
Mayor Pro Tempore



Bob Johnson  
Council Member



JoAnne Mounce  
Council Member



Alan Nakanishi  
Council Member

# ADVISORY BODIES AND DIRECTORY OF OFFICIALS

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## ADVISORY BODIES

Planning Commission  
Library Board  
Recreation Commission  
Site Plan and Architectural Review Committee

Lodi Improvement Committee  
Lodi Arts Commission  
Youth Commission  
Lodi Senior Citizens' Commission

## PRINCIPAL ADMINISTRATIVE OFFICERS

Steve Schwabauer  
Andrew Keys  
Janice Magdich  
Jennifer Ferraiolo  
Anwan Baker  
Gene Stoddart  
Jeff Hood

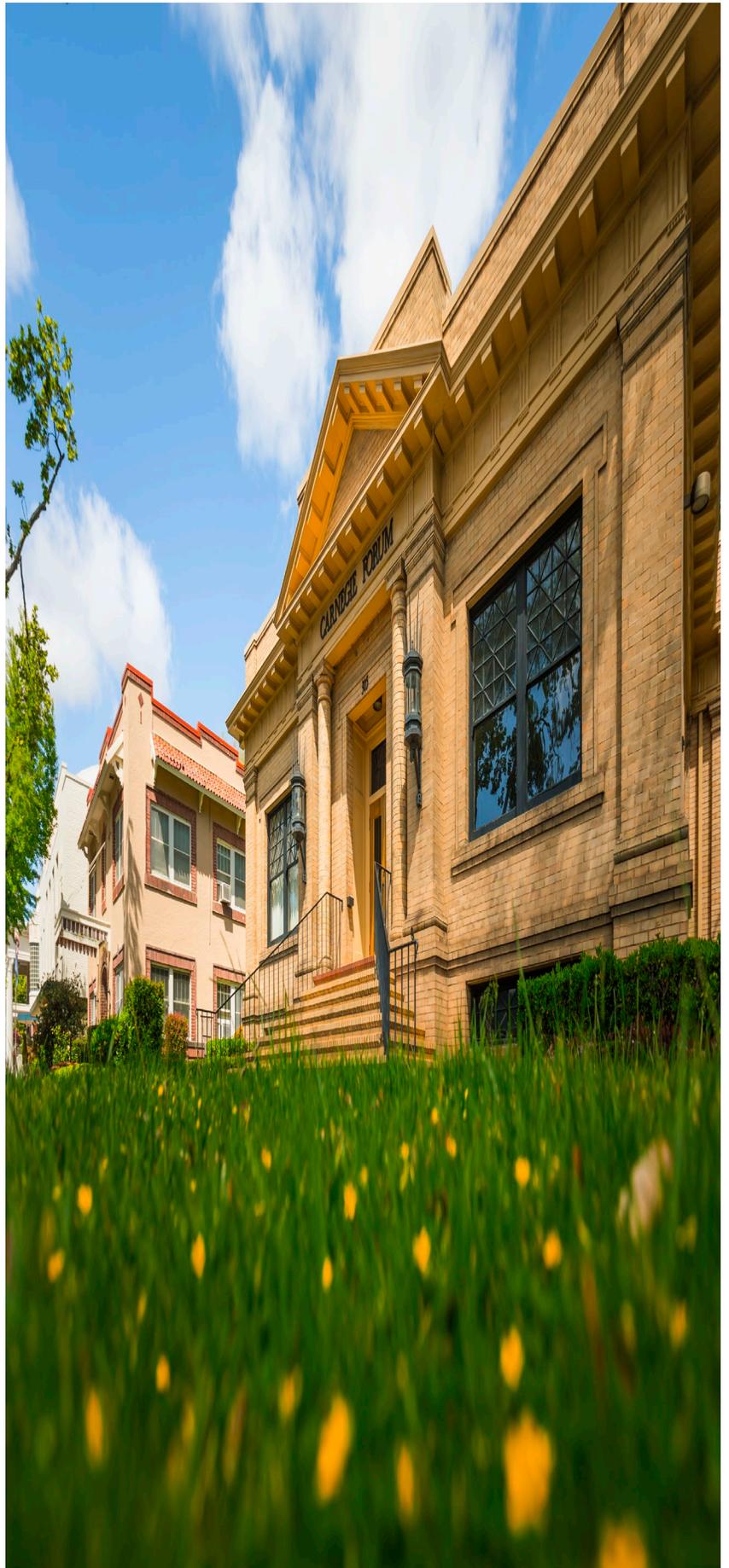
Charles Swimley  
Melissa Price  
Steve Schwabauer  
Tod Patterson

City Manager  
Deputy City Manager  
City Attorney  
City Clerk  
Library Services Director  
Fire Chief  
Parks, Recreation &  
Cultural Services Director  
Public Works Director  
Interim Electric Utility Director  
Community Development Director  
Police Chief

## FINANCIAL SECTION

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The Financial Section is comprised of the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, including the Notes, Required Supplementary Information, and Supplementary Information which includes Combining and Individual Fund Statements and Schedules.



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
of the City of Lodi  
Lodi, California

### **Report on Financial Statements**

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 Lodi, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the basic 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these 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 of 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Pension Contributions, and the Schedule of Changes in the Net OPEB Liability and Related Ratios and the Schedules of Employer OPEB Contributions on pages 5 through 14 and 91 through 101 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. The Introductory Section, the Combining and Individual Nonmajor Fund Financial Statements and the Budgetary Comparison Schedules, and the Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and the Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules are 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.

To the Honorable Mayor and Members of the City Council  
of the City of Lodi  
Lodi, California  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*The PwC Group, LLP*

Walnut Creek, California  
February 10, 2020

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**CITY OF LODI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2019**

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This section of the Comprehensive Annual Financial Report is presented as discussion and analysis of the financial performance of the City of Lodi (City) for the year ended June 30, 2019.

**FINANCIAL HIGHLIGHTS**

- The assets and the deferred outflows of resources of the City exceeded its liabilities and the deferred inflows of resources at the close of the fiscal year by \$205,077,060 (net position). Of this amount, \$87,085,974 is unrestricted deficit.
- The City's total net position increased by \$15,590,546 in fiscal year 2019.
- As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$46,350,479, an increase of \$11,519,731 in comparison with the prior year. Of this amount, \$11,172,483 is available for spending at the City's discretion (unassigned fund balance).
- At the close of the fiscal year, fund balance for the General Fund was \$22,452,412, of which \$11,172,483 is unassigned or 26.4% of total general fund expenditures of \$42,226,306.
- The City's total long-term liabilities increased by \$3,317,283 or 1.84% during the current fiscal year. Other liabilities increased \$5,354,943 or 42.16%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic 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 Basic Financial Statements. This report also includes **required supplementary information** and **combining and individual fund statements and schedules** in addition to the basic financial statements.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflow of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes, and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public protection, public works, community development, library, parks and recreation. The business-type activities of the City include electric operations, wastewater operations, water operations and public transit operations.

**CITY OF LODI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**June 30, 2019**

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**Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining financial resources available in the near future to finance City programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (general, special revenue, capital projects and debt service). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Streets Fund which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its General Fund and special revenue funds. Budgetary comparison statements and schedules have been provided for the General Fund and the special revenue funds to demonstrate compliance with this budget.

**Proprietary Funds.** Proprietary funds are generally used to account for services for which the City charges customers, either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two 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 enterprise funds to account for the operations of the Electric, Wastewater, Water, all of which are considered to be major funds and the Transit system, which is considered to be a non-major enterprise fund.
- **Internal Service funds** are used to report activities that account for various employee benefits, self-insurance, and fleet activities of the City. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

**CITY OF LODI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**June 30, 2019**

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The activities of the Industrial Way-Beckman special assessment and various landscape and lighting districts are accounted for and reported under the fiduciary funds. The activities of the Private-Purpose Trust and the Hutchins Street Square Bequest are also accounted for under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning changes in net pension and other post-employment liabilities and related ratios for the City's Miscellaneous and Safety pension plans, the City's progress in funding its obligation to provide other postemployment benefits (OPEB) to its employees, and schedules comparing budget to actual amounts in the General Fund and Streets Fund.

**Combining Statements**

The combining statements in connection with non-major governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Current and other assets	\$ 70,248,521	\$ 55,518,067	\$ 100,433,764	\$ 84,853,628	\$ 170,682,285	\$ 140,371,695
Capital assets	133,232,653	137,566,325	245,255,952	244,153,401	378,488,605	381,719,726
Total assets	<u>203,481,174</u>	<u>193,084,392</u>	<u>345,689,716</u>	<u>329,007,029</u>	<u>549,170,890</u>	<u>522,091,421</u>
Deferred outflows of resources	19,965,907	21,122,850	10,970,407	12,136,938	30,936,314	33,259,788
<b>Liabilities:</b>						
Net OPEB obligation	33,422,021	33,275,362	-	-	33,422,021	33,275,362
Net pension liability	109,495,299	110,076,401	26,790,552	25,851,930	136,285,851	135,928,331
Long-term liabilities outstanding	42,188,284	34,787,789	141,529,292	145,612,504	183,717,576	180,400,293
Other liabilities	8,277,658	5,031,822	9,779,869	7,670,762	18,057,527	12,702,584
Total liabilities	<u>193,383,262</u>	<u>183,171,374</u>	<u>178,099,713</u>	<u>179,135,196</u>	<u>371,482,975</u>	<u>362,306,570</u>
Deferred inflows of resources	3,204,039	3,444,447	343,129	113,678	3,547,168	3,558,125
<b>Net position:</b>						
Invested in capital assets, net of related debt	116,151,450	119,222,288	129,858,469	137,290,786	246,009,919	256,513,074
Restricted	25,750,892	25,903,963	20,402,223	20,178	46,153,115	25,924,141
Unrestricted	(115,042,563)	(117,534,830)	27,956,589	24,584,129	(87,085,974)	(92,950,701)
Total net position	<u>\$ 26,859,779</u>	<u>\$ 27,591,421</u>	<u>\$ 178,217,281</u>	<u>\$ 161,895,093</u>	<u>\$ 205,077,060</u>	<u>\$ 189,486,514</u>

**CITY OF LODI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**June 30, 2019**

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As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$205,077,060 at the close of the current fiscal year.

**Assets.** The City's total assets increased by \$27,079,469. The increase is primarily due to the following:

Governmental Activities. Total assets for governmental activities had an increase of \$10,396,782 or 5.38%. Current and other assets increased by \$14,730,454 primarily resulting from the increase in restricted assets of \$11,617,849, \$814,053 increase in due from other governmental agencies, and accounts receivables \$455,466. Capital assets decreased by \$4,306,060. Other insignificant activities make up the difference.

Business-type Activities. Total assets for the business-type activities had an increase of \$16,682,687 or 5.07%. Current and other assets increased by \$15,580,137 primarily due to increases in inventory of 733,290, increase in advance receivable of \$1,444,297. Capital assets increased by \$1,102,551 largely from prior period restatement of machinery and equipment. Other insignificant activities contributed to the difference.

**Deferred outflows of resources.** The decrease in total deferred outflows of resources of \$2,323,474 is primarily from changes in various components related to the Miscellaneous and Safety Plans in the CalPERS valuation reports and current pension contributions made after the measurement date of June 30, 2018.

**Liabilities.** The City's total liabilities increased by \$9,176,405 or 2.53%. The increase is primarily due to the following:

Governmental Activities. Total liabilities for the governmental activities had an increase of \$10,211,888 or 5.58%, primarily from an increase in current liabilities. Increases in liabilities included prior period adjustment to compensated absences for the sick leave conversion bank options.

Business-type Activities. Total liabilities for the business-type activities decreased by \$1,035,483 or 0.58%. The decrease is primarily attributable to an increase in current liabilities offset by a decrease in net pension liability. Increases in current liabilities include accrued salaries and wages, accounts payable and a decrease in unearned revenue. Other insignificant activities offset the difference.

**Net position.** The City's overall financial position increased during the fiscal year. The net position has increased by \$15,590,546, or 8.23%

The largest portion (\$246,009,919) of the City's net position reflects its investment in capital assets net of any associated depreciation (e.g., land, buildings and improvements, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources.

An additional portion of the City's net position, \$46,153,115 (22.51%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounts to a deficit of \$87,085,974. At the end of the current fiscal year, the City is able to report positive balances in the General Fund and all Enterprise activities. Unrestricted net position is negative for the governmental-type activities primarily as a result of the City's outstanding pension and OPEB obligations.

**CITY OF LODI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**June 30, 2019**

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,666,801	\$ 10,060,332	\$ 97,426,034	\$ 97,391,760	\$ 103,092,835	107,452,092
Operating grants and contributions	7,968,497	2,286,476	8,260,984	5,969,086	16,229,481	8,255,562
Capital grants and contributions	6,861,267	8,737,149	2,092,051	11,307,763	8,953,318	20,044,912
General revenues:						
Property taxes	11,049,741	10,324,516	-	-	11,049,741	10,324,516
Sales taxes	14,286,516	11,333,228	-	-	14,286,516	11,333,228
Other taxes	17,372,832	17,097,961	-	-	17,372,832	17,097,961
Grants and contributions not restricted to specific programs	441,341	600,573	-	-	441,341	600,573
Other	3,482,616	1,244,101	3,905,811	2,960,323	7,388,427	4,204,424
Total revenues	67,129,611	61,684,336	111,684,880	117,628,932	178,814,491	179,313,268
<b>Expenses</b>						
General government	11,389,809	11,600,548	-	-	11,389,809	11,600,548
Public protection	33,396,412	38,794,510	-	-	33,396,412	38,794,510
Public works	11,013,342	9,823,848	-	-	11,013,342	9,823,848
Community development	2,186,691	1,999,587	-	-	2,186,691	1,999,587
Library	785,325	1,752,595	-	-	785,325	1,752,595
Parks and recreation	4,141,648	4,672,015	-	-	4,141,648	4,672,015
Interest on long-term debt	781,669	768,077	-	-	781,669	768,077
Electric	-	-	64,103,994	67,943,086	64,103,994	67,943,086
Wastewater	-	-	14,409,738	16,008,272	14,409,738	16,008,272
Water	-	-	12,139,381	11,775,718	12,139,381	11,775,718
Transit	-	-	5,085,693	5,232,628	5,085,693	5,232,628
Total expenses	63,694,896	69,411,180	95,738,806	100,959,704	159,433,702	170,370,884
Changes in net position before transfers	3,434,715	(7,726,844)	15,946,074	16,669,228	19,380,789	8,942,384
Transfers	4,233,780	4,252,350	(4,233,780)	(4,252,350)	-	-
Changes in net position	7,668,495	(3,474,494)	11,712,294	12,416,878	19,380,789	8,942,384
Net position at beginning of year	27,591,421	55,578,803	161,895,093	149,478,215	189,486,514	205,057,018
Prior period adjustments	(8,400,137)	(24,512,888)	4,609,894	-	(3,790,243)	(24,512,888)
Net position at beginning of year, as restated	19,191,284	31,065,915	166,504,987	149,478,215	185,696,271	180,544,130
Net position at end of year	\$ 26,859,779	\$ 27,591,421	\$ 178,217,281	\$ 161,895,093	\$ 205,077,060	\$ 189,486,514

Part of the overall change in fund balance is a result of prior period adjustments. In total, the City restated and decreased the beginning net position by (\$3,790,253). Of this amount, \$4,609,884 was an increase in net position to the Business-type Activities to restate the capital asset balances and an adjustment related to pension expense for GASB 68. In addition, (\$8,400,137) was restated in the Internal Service Funds related to the pension expense for GASB 68 and an adjustment to restate the sick leave conversion balances under GASB 75. More information on the prior period adjustment can be found in Note 16 of the Notes to the Basic Financial Statements. For purposes of Management's Discussion and Analysis, the fiscal year ending June 30, 2018 was not adjusted for the 2019 restatements.

**CITY OF LODI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**June 30, 2019**

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Analysis of Changes in Net Position

**Governmental Activities**

Net position for the governmental activities increased by \$7,668,495, not considering the impact of the prior period adjustment to beginning net position of \$(8,400,137) in the current fiscal year. The change in net position is an improvement over last year's decrease of \$(3,474,494) by \$11,142,989. The increase is primarily a result of the following:

- The City receives other taxes, such as franchise tax, business licenses and tourism occupancy tax. These other taxes increased by \$274,871 or 1.61% compared to prior year. The economy continues to show evidence of positive movement particularly in the housing market, businesses and tourism.
- Sales tax saw a significant increase of \$2,953,288 or 26.06% from prior year. For General Fund, sales tax increased by \$1,498,953. Primarily from the new Measure L sales tax revenue of \$1,454,335.
- Property taxes increased by \$725,225 from prior year.
- Capital grants and contributions decreased by \$1,875,882 from the prior fiscal year. The difference is due to departments utilizing state and federal grants for projects. Public Works used Federal grants to complete various projects in the prior fiscal year reducing the amount of grants in this fiscal year.

Expenses for governmental functions totaled \$63,694,896, a decrease of \$5,716,284 or 8.24% relative to the prior fiscal year.

**Business-type Activities**

Business-type activities increased the City's net position by \$11,712,294 in the current year, which is a decrease of \$704,584 from last year's increase of \$12,416,878. The key elements of this change are:

- Charges for services in the Electric Fund decreased by \$1,285,538, Wastewater Fund increased by \$990,661, and the Water Fund increased by \$339,450.
- Increase in the greenhouse gas allowance (GHG) of \$123,511 in the Electric Fund related to Assembly Bill 32: Global Warming Act, which set the 2020 greenhouse gas emissions reduction into law and also adopted a regulation that established a system of market-based declining annual aggregate emission limits for sources or categories of sources that emit greenhouse gases. In 2011, the California Air Resources Board (ARB) adopted the cap-and-trade regulation. This program covers major sources of GHG emissions in the State such as refineries, power plants, industrial facilities, and transportation fuels. The cap-and-trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances which are tradable permits, equal to emissions allowed under the cap.
- Other revenues increased by \$647,371 primarily from more positive investments returns.
- Bulk power cost decreased by \$1,405,937 compared to the prior year primarily attributable to overall increase in generation and in third party increase in transmission, management services costs paid to NCPA.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, special revenue funds, debt service fund and capital projects funds.

**CITY OF LODI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**June 30, 2019**

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At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$46,350,479, for a net change in fund balances of \$11,519,731. In comparison to the prior year, the change in fund balance resulted from an increase in overall revenues and expenditures coming in under budget.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,172,483 while total fund balance was \$22,452,412. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 26.46% and 53.17% of total General Fund expenditures, respectively.

The fund balance of the General Fund increased by \$3,684,507 during the current fiscal year, a decrease of \$115,041 from last year's fund balance of \$3,799,548.

Key factors in this increase are:

- Total revenues increased by \$4,137,219, primarily from the net increase of sales tax of \$2,953,288 which includes the additional revenue from Measure L sales tax, an increase of secured property tax of \$725,225, increase in vehicle license fee of \$252,232; and an increase in business license tax of \$64,325. Other insignificant increases and decreases offset the difference.
- Total expenditures increased by \$1,757,998 primarily from increase in salaries and wages for vacancies filled during the current year, increases approved in labor negotiations, and increases related to OPEB and pensions. Other insignificant increases and decreases offset the difference.

Total fund balance of the Streets Funds was \$9,541,949. Intergovernmental revenues of \$6,364,488 offset by capital expenditures of \$2,533,264 were the largest components that resulted in the increase of \$3,144,797 to fund balance.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year for the Electric Fund was \$26,388,672, Wastewater Fund was \$9,002,045, Water Fund was \$(9,873,898), Transit Fund was \$2,439,770 and the Internal Services Funds unrestricted net position was \$(36,437,375).

Other factors concerning the finances of these funds are discussed in the City's business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final budget in the General Fund were a net increase in appropriations of \$1,319,370. The increase in appropriations can be briefly summarized as follows:

- \$1,260,438 increase in general revenues
- \$58,932 decrease in overall expenditures

Significant differences between the final budget and the actual revenues and expenditures can be briefly summarized as follows:

- Sales and use tax revenue, a favorable variance between the final budget and actual revenue of \$1,133,196, which resulted from an increase in sales tax. Investment and rental income had a favorable variance between

**CITY OF LODI**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**  
**June 30, 2019**

the budget and actual of \$548,094. All additional revenues had an unfavorable variance between final budget and actuals but were not significant.

- For expenditures, a favorable variance between the final budget and actual expenditures of \$1,974,242 was due to pension stabilization expense being recorded as restricted cash (\$2,142,605) and savings from vacancies and the continued overall effort to reduce spending and costs.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$378,488,605 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, works of art, and construction in progress. The total decrease in the City’s investment in capital assets for the current fiscal year was \$3,231,121, a 0.85% decrease (a 3.15% decrease in governmental activities and 0.45% decrease in business-type activities).

	Governmental Activities	Business-type Activities	Total
Land	\$ 24,886,595	\$ 5,535,718	\$ 30,422,313
Buildings and Improvements	37,238,324	25,352,376	62,590,700
Machinery and equipment	3,487,139	193,646,386	197,133,525
Vehicles	2,271,268	3,682,945	5,954,213
Infrastructure	62,939,799	-	62,939,799
Work of Art	304,907	-	304,907
Construction in Progress	2,104,621	17,038,527	19,143,148
<b>Total</b>	<b>\$ 133,232,653</b>	<b>\$ 245,255,952</b>	<b>\$ 378,488,605</b>

A decrease in construction in progress compared to prior year was primarily from the Water Meter Project Phase 7.

Additional information on the City’s capital assets can be found in Note 6 on pages 62-63 of this report.

**Long-term debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$138,339,781. Of this amount, \$16,884,930 is the outstanding balance of the bonds issued to fund the new public safety building, refinancing of the performing arts center and the downtown and Cherokee Lane improvements. The total of \$121,454,851 from the business-type activities consists of \$32,113,704 for the Water Fund, \$41,606,581 for the Wastewater Fund; and \$47,734,566 for the Electric Fund.

The City’s total bonded debt decreased by \$4,480,990 during the current fiscal year.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

Economic indicators continue to be positive, leading to projected continued growth in property, sales, and tourism occupancy taxes. The biggest share of growth is coming for the newly added sales tax Measure L. General Fund revenue growth is projected at 7.4% from FY18/19 actuals to the FY 2019/20 budgeted revenue, totaling \$59,605,690. The City added to its reserve balance again in FY 2018/19 and is projecting a balanced budget in the General Fund in FY 2019/20. The City’s General Fund reserves are healthy, but projected CalPERS cost of \$7.95 million in FY19/20 are anticipated to continue to grow to \$16.5 million and \$17.8 million by 2024/25, for an 87% increase over the forecast term; making it apparent that caution and fiscal prudence will be required in the coming years.

**CITY OF LODI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**June 30, 2019**

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The General Fund continues to be the greatest focus. It funds all core municipal services including police, fire, public works, administration, economic development, transfers to the parks and library funds and other essential public services. The great majority of City employees' costs are funded by the General Fund, and is the most impacted by the cost increases imposed on the City by CalPERS (see below).

The City has maintained its workforce over the past three years with strategic reductions to capture cost savings and recognize efficiencies. The City increased by a net of ten positions this year; adding four Firefighters, adding one Administrative Secretary, adding six Police Officers, and the removal of one Neighborhood Services Manager.

The City will continue its capital efforts in the coming year. Significant projects expected to be undertaken include various park projects, and continuation of the water meter and water system maintenance capital projects, Lockeford Street Improvement Project, pavement resurfacing and Church Street Realignment.

Balancing the 2019/20 budget involves balancing several critical issues: employee costs and retirement contributions; capital programs; and combination of cost increases that were either a) imposed on the City by external forces, or b) negotiated by the City with its bargaining groups.

Employee costs and retirement contributions – The primary challenge facing the City stems from the CalPERS funding crisis. The City's combined funded status for the Safety plans is approximately 60.25% and Miscellaneous employee plans is approximately 70.3% as of the most recent June 30, 2018, actuarial report. Staff estimates that the City's combined CalPERS bill will increase from approximately \$10 million per year in FY 2018/19 to between \$16.5 million and \$17.8 million by FY 2024/25. The funded status of the City's plans is expected to decrease over that span, despite the increased contribution requirements as the discount rate drops.

Based on the City's aggressive funding actions over the past three years, by the end of FY 2018/19, total funding in the Pension Stabilization Fund (PSF) is estimated as follows: General Fund: \$10.6 million; Other Funds \$3.3 million. An additional \$2.2 million will be invested based on the ending results for FY18/19 and the City's Pension Stabilization Policy. This is roughly 19% of each fund's pension contribution for the FY18/19.

Imposed costs – The primary concern to the City's budget is the imposed cost increases by CalPERS related to the discount rate reduction from 7.5% to 7.0%. Management has aggressively implemented solutions to counter the imposed costs from the phase of the discount rate reduction. As part of the employee negotiation process that has occurred over the last fiscal year, contracts with employees called for cost sharing agreement to help offset the value of the retirement contributions. As of January 2020, all employees in the City will be contributing some portion of the City's normal cost ranging from 1% to 3%.

The City has negotiated with all units and has presented to Council for approval all agreements. The new agreements became effective in July 2019 or January 2020, depending on the bargaining unit. The final labor contracts will be presented to Council in March 2020 for approval. The new agreements provide salary increases from 9% to 17.3% over the term of the contracts. Salary increases are implemented in different phases based on the approved agreement.

Capital programs – The City continues to utilize one-time funds for capital maintenance, rather than ongoing operations. The Library and Parks, Recreation and Cultural Services (PRCS), are strategically using resources from vacant positions to add to fund balances and deploying reserves to capital projects as necessary. In addition, part of the new Measure L sales tax will be used to fund capital projects and maintain recreation facilities for the Park and Cultural Services that are important to the community.

**CITY OF LODI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**June 30, 2019**

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Rapidly increasing health care costs also continue to be a concern. While the City has negotiated a medical insurance cap with its bargaining units, costs are expected to increase and impact the net pay of the workforce and possibly the City's competitiveness in the labor marketplace. Staff has managed the impact of the Affordable Care Act, and through prudent management of part-time hours, has allowed the City to avoid an economic impact.

Another significant cause of concern is workers' compensation. The City is self-funded for worker's compensation costs. The City's claim experience has ebbed and flowed since a spike in 2008/09. Current loss experience is relatively level with costs trending upward with the settlement of old claims. The City has funded its actuarial liability at more than the 90 percent confidence level. Staff continues to manage the program and provide education to employees to minimize injuries and work time losses.

Economic Development

The City is deep-rooted in California's rival wine country, is as ripe for commercial and residential real estate development as it is for its Zinfandel grapes. Because of its agricultural roots, the City has unfolded into an international tourist destination and real estate market, attracting medical biotech and light industrial development to the area. With San Joaquin County's charming architecture, and Lodi's awe-inspiring vineyards, almond, olive and fruit orchards, it is easy to see why so many are drawn to the areas for its beauty and abundance.

Investors are beginning to look to the City as an opportunity for adding commercial real estate, residential, in-fill, and mixed-use development to its picturesque agricultural setting. The City's strength as a real estate market lies in its strong infrastructure, abundant water, wine tourism industry, and affordable real estate. The accessibility to Interstate 5 and Highway 99 allows manufacturers and distributors to get their product out to market quickly. The Lodi Energy Center, located only about three miles outside the city on I-5 provides consistent and dependable local electricity, which is particularly crucial for its industrial thermoforming companies. The city-owned power is more reliable and less expensive than the investor owned utilities in the area.

**REQUEST FOR INFORMATION**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Financial Services Division of the City of Lodi at 310 W. Elm Street, Lodi, California, 95240.

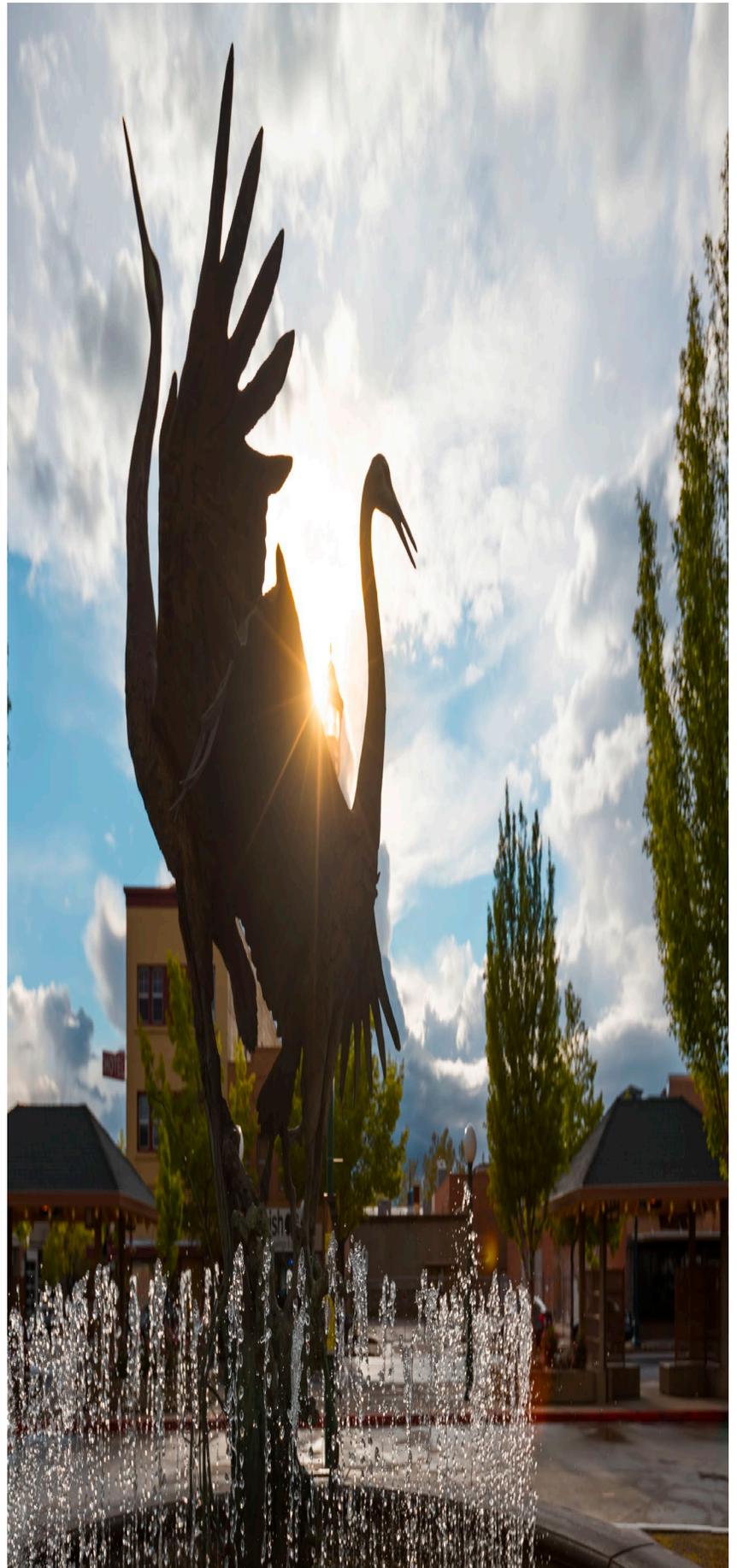
## BASIC FINANCIAL STATEMENTS

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The Government-wide Financial Statements provide a broad overview of the City's financial position and operating results. Information is grouped by governmental activities or business-type activities.

The Fund Financial Statements report information about the City's Governmental Funds, Proprietary Funds, and the Fiduciary Funds.

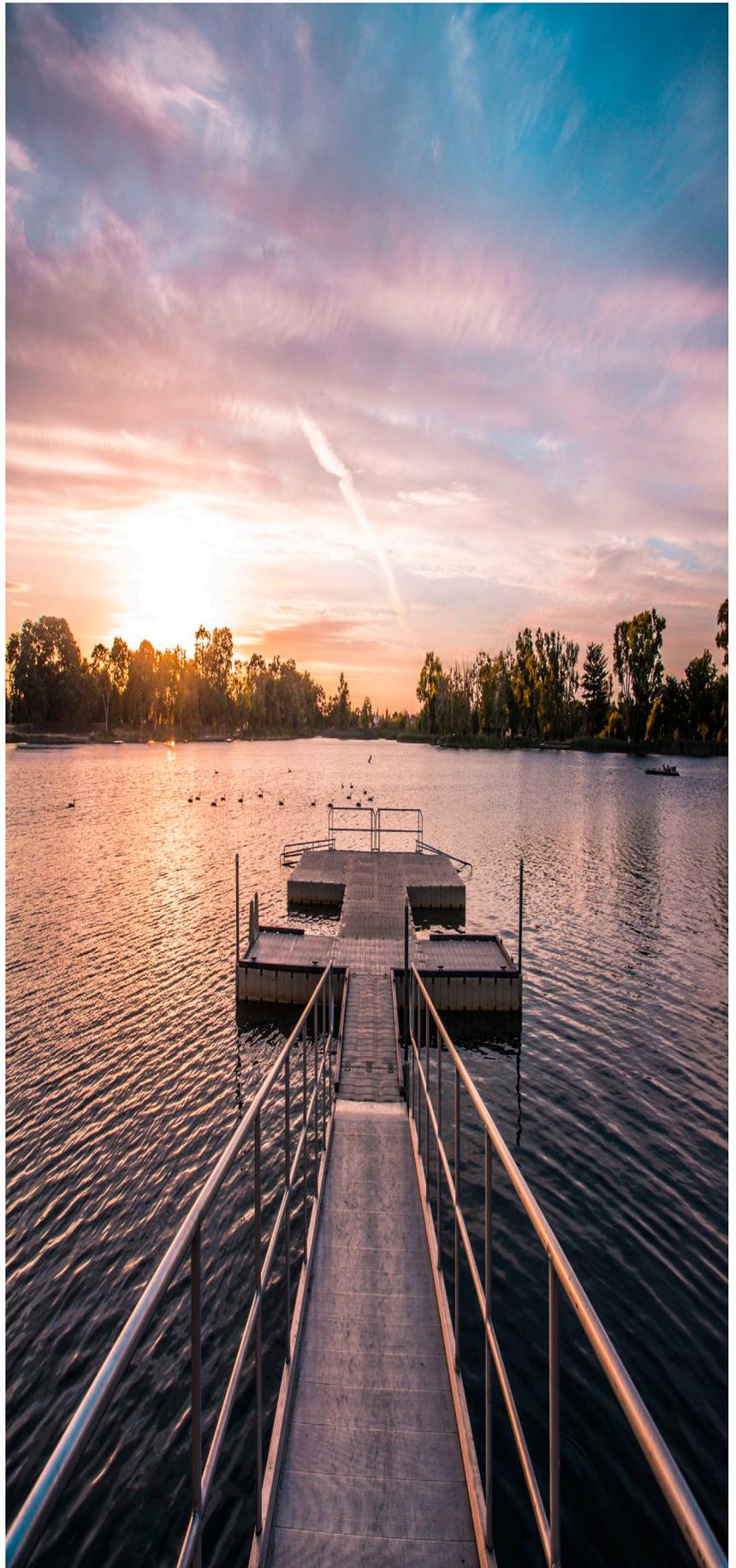
The notes have an integral role in disclosing information essential to the fair presentation of the Basic Financial Statements.



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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CITY OF LODI**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and investments	\$ 50,612,594	\$ 55,437,336	\$ 106,049,930
Restricted cash and investments	11,617,849	20,402,223	32,020,072
Accounts receivables (net)	6,529,310	7,236,280	13,765,590
Property tax receivable	80,324	-	80,324
Interest receivable	55,005	83,417	138,422
Due from other governmental agencies	1,650,065	1,400,000	3,050,065
Advance receivable	-	10,900,902	10,900,902
Inventory	142,044	4,415,760	4,557,804
Other assets	110,009	9,167	119,176
Internal balances	(548,679)	548,679	-
Capital assets, net: Nondepreciable	27,296,123	22,574,245	49,870,368
Capital assets, net: Depreciable, net	105,936,530	222,681,707	328,618,237
Total assets	<u>203,481,174</u>	<u>345,689,716</u>	<u>549,170,890</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	17,775,219	4,026,351	21,801,570
Related to OPEB	1,862,969	-	1,862,969
Unamortized losses on defeasance	327,719	6,944,056	7,271,775
Total deferred outflows of resources	<u>19,965,907</u>	<u>10,970,407</u>	<u>30,936,314</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	7,107,277	7,180,404	14,287,681
Accrued salaries and wages	810,249	250,883	1,061,132
Accrued interest	185,378	1,677,146	1,862,524
Unearned revenue	174,754	671,436	846,190
Long term liabilities:			
Due within one year	5,557,689	6,694,228	12,251,917
Due in more than one year	36,630,595	134,835,064	171,465,659
Other long-term obligations:			
Net pension liability	109,495,299	26,790,552	136,285,851
Net OPEB liability	33,422,021	-	33,422,021
Total liabilities	<u>193,383,262</u>	<u>178,099,713</u>	<u>371,482,975</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	1,197,077	343,129	1,540,206
Related to OPEB	2,006,962	-	2,006,962
Total deferred inflows of resources	<u>3,204,039</u>	<u>343,129</u>	<u>3,547,168</u>
<b>NET POSITION</b>			
Net investment in capital assets	116,151,450	129,858,469	246,009,919
Restricted	25,750,892	20,402,223	46,153,115
Unrestricted (deficit)	(115,042,563)	27,956,589	(87,085,974)
Total net position	<u>\$ 26,859,779</u>	<u>\$ 178,217,281</u>	<u>\$ 205,077,060</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 11,389,809	\$ 322,470	\$ 3,010,812	\$ -
Public protection	33,396,412	368,147	533,346	786,389
Public works	11,013,342	2,631,369	2,551,481	5,267,859
Community development	2,186,691	1,058,665	1,504,245	720,826
Library	785,325	-	52,599	86,193
Parks and recreation	4,141,648	1,286,150	316,014	-
Debt Service	781,669	-	-	-
Total governmental activities	<u>63,694,896</u>	<u>5,666,801</u>	<u>7,968,497</u>	<u>6,861,267</u>
Business-type activities:				
Electric	64,103,994	67,961,351	2,385,598	139,731
Transit Funds	5,085,693	216,006	2,814,525	781,518
Wastewater	14,409,738	15,904,204	2,439,863	1,291,892
Water	12,139,381	13,344,473	620,998	(121,090)
Total business-type activities	<u>95,738,806</u>	<u>97,426,034</u>	<u>8,260,984</u>	<u>2,092,051</u>
Total primary government	<u>\$ 159,433,702</u>	<u>\$ 103,092,835</u>	<u>\$ 16,229,481</u>	<u>\$ 8,953,318</u>

General revenues:  
 Property taxes  
 Special assessments  
 Sales tax  
 Document transfer  
 Franchise taxes  
 Business license tax  
 Transient occupancy tax  
 Grants and contributions not restricted to specific programs  
 Investment earnings  
 Other  
 Transfers  
 Total general revenues, and transfers

Change in net position

Net position - beginning, as restated (Note 16)  
 Net position - ending

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2019**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (8,056,527)	\$ -	\$ (8,056,527)
(31,708,530)	-	(31,708,530)
(562,633)	-	(562,633)
1,097,045	-	1,097,045
(646,533)	-	(646,533)
(2,539,484)	-	(2,539,484)
(781,669)	-	(781,669)
<u>(43,198,331)</u>	<u>-</u>	<u>(43,198,331)</u>
-	6,382,686	6,382,686
-	(1,273,644)	(1,273,644)
-	5,226,221	5,226,221
-	1,705,000	1,705,000
-	<u>12,040,263</u>	<u>12,040,263</u>
<u>(43,198,331)</u>	<u>12,040,263</u>	<u>(31,158,068)</u>
11,049,741	-	11,049,741
138,633	-	138,633
14,286,516	-	14,286,516
5,399,494	-	5,399,494
9,212,445	-	9,212,445
1,886,659	-	1,886,659
735,601	-	735,601
441,341	-	441,341
3,129,648	1,584,188	4,713,836
352,968	2,321,623	2,674,591
4,233,780	(4,233,780)	-
<u>50,866,826</u>	<u>(327,969)</u>	<u>50,538,857</u>
7,668,495	11,712,294	19,380,789
19,191,284	166,504,987	185,696,271
<u>\$ 26,859,779</u>	<u>\$ 178,217,281</u>	<u>\$ 205,077,060</u>

The notes to financial statements are an integral part of this statement.

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# FUND FINANCIAL STATEMENTS

## Governmental Fund Types

### Major Funds:

- General Fund
- Streets Fund
- Gas Tax
- Development Impact Mitigation Fees
- Measure K Sales Tax
- Intermodal Surface Transportation Efficiency Act (ISTEA)

## Proprietary Fund Types

### Major Funds:

- Electric Fund
- Wastewater Fund
- Water Fund

### Nonmajor Enterprise Fund:

- Transit Fund

### Internal Service Funds

## Private-purpose Trust Funds

## Agency Fund



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## FUND FINANCIAL STATEMENT DESCRIPTIONS

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### Governmental Fund Types

Governmental funds consist of the General Fund, special revenue funds, debt service fund and capital projects funds.

### Major Governmental Funds:

#### GENERAL FUND

This fund is maintained to account for all financial resources that are not restricted as to their use. This includes property and sales taxes, business tax receipts, franchise taxes and various subventions such as Motor Vehicle In-Lieu fees received from the State of California. With the exception of grant programs, General Fund resources can be utilized for any legitimate governmental purpose.

#### STREETS FUND

This fund was established to account for the following:

##### **Gas Tax**

To account for revenues and expenditures apportioned to the City under the Streets and Highway Code. Portions of the tax rate levied by the State of California on all gasoline purchases are allocated to cities throughout the State on a population basis. These funds are restricted for expenditure by the State of California for street related purposes only.

##### **Development Impact Mitigation Fees**

To account for impact fees charged to provide for the building of various storm drains and street improvements needed to serve new development. The fees are calculated on a per acre basis and are collected at subdivision final map approval or with building permit stage effective November 4, 1991.

##### **Measure K Sales Tax**

To account for revenues and expenditures apportioned to the City for sales tax collections under Measure K. Expenditures for administration, maintenance and construction must be for street-related projects.

##### **Intermodal Surface Transportation Efficiency Act (IS TEA)**

To account for revenues from the federal highway administration for programs including surface transportation program (STP) for streets and roads, congestion mitigation and air quality program (CMAQ) and hazard elimination safety (HES) for street lighting projects.

# FUND FINANCIAL STATEMENT DESCRIPTIONS (CONTINUED)

## Proprietary Fund Types

Proprietary funds consist of the enterprise funds and the internal service funds.

### Major Enterprise Funds include:

#### ELECTRIC FUND

The City established this fund in order to account for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements maintenance and debt service.

#### WASTEWATER FUND

This fund was established by the City in order to account for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

#### WATER FUND

This fund was established by the City in order to account for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

### Nonmajor Enterprise Fund:

#### TRANSIT FUND

This fund is used to account for the operations of the Dial-A-Ride and the Grapeline bus system.

### Internal Service Funds:

These funds are used to account for interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

## Fiduciary Fund Types

#### PRIVATE-PURPOSE TRUST FUNDS

These funds are used to account for assets held by the Library Board as trustee of the Lodi Public Library and for assets held by the City in accordance with the trust agreement on behalf of the Hutchins Street Square.

#### AGENCY FUND

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts and various landscape and lighting districts around the City.

**CITY OF LODI**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

ASSETS	General Fund	Streets	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 13,497,734	\$ 7,791,408	\$ 14,641,361	\$ 35,930,503
Accounts receivables, net	5,255,725	1,029,634	238,694	6,524,053
Property taxes receivables	80,324	-	-	80,324
Interest receivable	18,298	11,251	7,853	37,402
Due from other funds	-	-	82,448	82,448
Due from other governmental agencies	-	976,335	673,730	1,650,065
Inventory	-	-	1,077	1,077
Restricted cash and investments	10,716,555	198,627	572,117	11,487,299
Total assets	<u>\$ 29,568,636</u>	<u>\$ 10,007,255</u>	<u>\$ 16,217,280</u>	<u>\$ 55,793,171</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 5,717,668	\$ 382,454	\$ 779,501	\$ 6,879,623
Accrued salaries and wages	640,070	21,330	134,608	796,008
Due to other funds	-	-	82,448	82,448
Advances from other funds	-	-	548,679	548,679
Unearned revenue	66,883	-	107,871	174,754
Total liabilities	<u>6,424,621</u>	<u>403,784</u>	<u>1,653,107</u>	<u>8,481,512</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	691,603	61,522	208,055	961,180
Total deferred inflows of resources	<u>691,603</u>	<u>61,522</u>	<u>208,055</u>	<u>961,180</u>
FUND BALANCES				
Nonspendable				
Inventory	-	-	1,077	1,077
Restricted				
Road-related projects	-	9,343,322	38,817	9,382,139
Home and CDBG program	-	-	26,122	26,122
Public safety	-	-	423,693	423,693
Community development	-	-	3,597,428	3,597,428
Debt service	-	-	1,260	1,260
Pension	10,716,555	198,627	572,117	11,487,299
Committed				
Video - related capital projects	563,374	-	-	563,374
Parks, recreation and community services	-	-	716,188	716,188
Assigned				
Capital projects	-	-	8,979,416	8,979,416
Unassigned	11,172,483	-	-	11,172,483
Total fund balances	<u>22,452,412</u>	<u>9,541,949</u>	<u>14,356,118</u>	<u>46,350,479</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 29,568,636</u>	<u>\$ 10,007,255</u>	<u>\$ 16,217,280</u>	<u>\$ 55,793,171</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2019**

Fund balances - total governmental funds	\$	46,350,479
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
Nondepreciable capital assets		27,296,123
Depreciable capital assets, net		105,936,529
Internal Service Fund capital asset		(21,708)
Deferred outflows of resources related to pensions & OPEB reported in government-wide statement of net position		19,638,188
Deferred inflows of resources related to pensions & OPEB are reported in government-wide statement of net position		(3,204,038)
Deferred outflows of resources related to unamortized losses on defeasance are not reported in governmental funds		327,719
Amounts reported in Internal Service Funds		
Deferred outflows of resources related to pensions & OPEB		(2,090,214)
Deferred inflows of resources related to pensions & OPEB		2,026,328
Long-term liabilities and related accounts are not due and payable in the current period and therefore are not reported in the governmental funds as follows:		
Accrued Interest		(185,378)
Long-term liabilities - Due within one year		(5,557,689)
Long-term Liabilities - Due in more than one year		(36,630,595)
Net pension liability		(109,495,299)
Net OPEB liability		(33,422,021)
Long-term liabilities reported in the Internal Service Funds		
Net pension liability		1,512,040
Net OPEB liability		41,526,837
Accrued compensated absences		157,604
Self-insurance liability		8,065,373
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		961,180
Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, employee benefits and the cost of operating and maintaining the City's fleet to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		(36,331,679)
Net position of governmental activities	\$	26,859,779

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	General Fund	Streets	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 28,422,573	\$ -	\$ -	\$ 28,422,573
Sales and use tax	14,286,516	-	-	14,286,516
Licenses and permits	65,639	-	1,504,185	1,569,824
Intergovernmental revenues	1,186,022	6,364,488	1,662,957	9,213,467
Charges for services	1,772,088	832,451	3,953,871	6,558,410
Fines, forfeits, and penalties	1,274,624	-	-	1,274,624
Investment and rental income	2,195,924	111,782	686,115	2,993,821
Miscellaneous revenue	221,949	510,146	80,164	812,259
Total revenues	<u>49,425,335</u>	<u>7,818,867</u>	<u>7,887,292</u>	<u>65,131,494</u>
<b>EXPENDITURES</b>				
Current:				
General government	7,136,809	-	2,471,862	9,608,671
Public protection	31,743,158	-	206,254	31,949,412
Public works	2,180,840	2,258,326	1,012,686	5,451,852
Community development	-	-	2,112,118	2,112,118
Library	1,165,499	-	-	1,165,499
Parks and recreation	-	-	2,680,488	2,680,488
Capital outlay	-	2,553,264	826,818	3,380,082
Debt service:				
Interest	-	-	828,797	828,797
Principal retirement	-	-	1,072,195	1,072,195
Total expenditures	<u>42,226,306</u>	<u>4,811,590</u>	<u>11,211,218</u>	<u>58,249,114</u>
Excess (deficiency) of revenues over expenditures	<u>7,199,029</u>	<u>3,007,277</u>	<u>(3,323,926)</u>	<u>6,882,380</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,233,780	137,520	8,830,445	13,201,745
Transfers out	(7,749,000)	-	(1,218,965)	(8,967,965)
Proceeds from sale of property	698	-	402,873	403,571
Total other financing sources (uses)	<u>(3,514,522)</u>	<u>137,520</u>	<u>8,014,353</u>	<u>4,637,351</u>
Net change in fund balances	3,684,507	3,144,797	4,690,427	11,519,731
Fund balances - beginning	18,767,905	6,397,152	9,665,691	34,830,748
Fund balances - ending	<u>\$ 22,452,412</u>	<u>\$ 9,541,949</u>	<u>\$ 14,356,118</u>	<u>\$ 46,350,479</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2019**

Changes in fund balances - total governmental funds	\$	11,519,731
<p>Amounts reported for governmental activities are different because:            Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, contributed capital assets do not impact the governmental funds however they are reported in the statement of activities.            Capital outlays, capital asset contributions, and depreciation expense are as follows:</p>		
Capital outlays		3,380,082
Capital asset contributions		1,541,371
Depreciation expense		(9,101,731)
Less: Internal service fund depreciaiton		1,447
<p>Repayments of the principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.</p>		
Principal payment		1,072,195
<p>Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, employee benefits and the cost of operating and maintaining the City's fleet to individual funds. The net loss of the internal service funds are reported with governmental activities.</p>		
		(328,259)
<p>Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.</p>		
Change in compensated absences		18,540
Less Internal Service Funds compensated absences		(4,822)
Amortization of loss on defeasance		(26,936)
Amortization of bond premium		53,830
Change in unavailable revenue		(128,182)
Change in accrued interest		12,318
Change in net pension liability and related amounts		(341,089)
Change in net position of governmental activities	\$	<u>7,668,495</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	Business-type Activities		
	Electric	Wastewater	Water
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 26,108,963	\$ 19,414,709	\$ 8,846,454
Restricted cash and investments	-	-	13,172,470
Account receivables, net	3,557,264	1,120,218	782,310
Interest Receivable	34,845	22,771	24,367
Due from other governmental agencies	-	-	-
Advance receivables	10,900,902	-	-
Due from other fund	-	-	-
Inventory	3,887,999	50,257	477,504
Other assets	9,167	-	-
Total current assets	<u>44,499,140</u>	<u>20,607,955</u>	<u>23,303,105</u>
Noncurrent assets:			
Restricted assets with fiscal agents	20,884	2,465,248	2,377,384
Restricted cash and investments	1,320,168	489,360	489,360
Advances to other funds	-	-	548,679
Capital assets:			
Nondepreciable	763,785	14,709,457	1,588,584
Depreciable, net	38,837,955	77,790,930	94,810,274
Total noncurrent assets	<u>40,942,792</u>	<u>95,454,995</u>	<u>99,814,281</u>
Total assets	<u>85,441,932</u>	<u>116,062,950</u>	<u>123,117,386</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized losses on defeasance	4,827,584	2,116,472	-
Related to OPEB	-	-	-
Related to pensions	2,325,088	1,445,064	157,931
Total deferred outflows of resources	<u>7,152,672</u>	<u>3,561,536</u>	<u>157,931</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other liabilities	2,707,033	1,153,580	2,187,251
Accrued salaries and wages	132,000	99,894	11,945
Advances from other funds	-	-	-
Accrued interest	705,562	808,271	163,313
Due to other funds	-	-	-
Unearned revenue	-	-	660,104
Loans payable	214,078	-	-
Accrued compensated absences	389,395	309,456	34,478
Pollution remediation obligation	-	-	400,000
Certificates of participation and revenue			
bonds payable	2,187,246	2,116,195	1,029,700
Total current liabilities	<u>6,335,314</u>	<u>4,487,396</u>	<u>4,486,791</u>
Noncurrent liabilities:			
Loans payable	672,610	-	-
Self insurance liability	-	-	-
Accrued compensated absences	832,737	941,448	-
Certificates of participation and revenue			
bonds payable	45,547,320	39,490,386	31,084,004
Net pension liability	15,470,683	9,615,175	1,050,839
Net OPEB liability	-	-	-
Pollution remediation obligation	-	-	16,189,754
Total noncurrent liabilities	<u>62,523,350</u>	<u>50,047,009</u>	<u>48,324,597</u>
Total liabilities	<u>68,858,664</u>	<u>54,534,405</u>	<u>52,811,388</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	198,146	123,150	13,459
Related to OPEB	-	-	-
Total deferred inflows of resources	<u>198,146</u>	<u>123,150</u>	<u>13,459</u>
<b>NET POSITION</b>			
Net investment in capital assets	(4,191,930)	53,010,278	64,285,154
Restricted for:			
Debt service	20,884	2,465,248	2,377,384
Pensions	1,320,168	489,360	489,360
Pollution Remediation	-	-	13,172,470
Unrestricted	26,388,672	9,002,045	(9,873,898)
Total net position	<u>\$ 23,537,794</u>	<u>\$ 64,966,931</u>	<u>\$ 70,450,470</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Net Position (Continued)**  
**Proprietary Funds**  
**June 30, 2019**

	Business-type Activities		Governmental
	Non-Major		Activities
	Transit Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,067,210	\$ 55,437,336	\$ 14,682,091
Restricted cash and investments	-	13,172,470	46,562
Account receivables, net	1,776,488	7,236,280	5,258
Interest Receivable	1,434	83,417	17,603
Due from other governmental agencies	1,400,000	1,400,000	-
Advance receivables	-	10,900,902	-
Due from other fund	-	-	75,398
Inventory	-	4,415,760	140,967
Other assets	-	9,167	110,008
Total current assets	<u>4,245,132</u>	<u>92,655,332</u>	<u>15,077,887</u>
Noncurrent assets:			
Restricted assets with fiscal agents	-	4,863,516	-
Restricted cash and investments	67,349	2,366,237	83,988
Advances to other funds	-	548,679	-
Capital assets:			
Nondepreciable	5,512,419	22,574,245	-
Depreciable, net	11,242,548	222,681,707	21,708
Total noncurrent assets	<u>16,822,316</u>	<u>253,034,384</u>	<u>105,696</u>
Total assets	<u>21,067,448</u>	<u>345,689,716</u>	<u>15,183,583</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized losses on defeasance	-	6,944,056	-
Related to OPEB	-	-	1,862,969
Related to pensions	98,268	4,026,351	227,245
Total deferred outflows of resources	<u>98,268</u>	<u>10,970,407</u>	<u>2,090,214</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other liabilities	1,132,540	7,180,404	227,654
Accrued salaries and wages	7,044	250,883	14,241
Advances from other funds	-	-	-
Accrued interest	-	1,677,146	-
Due to other funds	-	-	75,398
Unearned revenue	11,332	671,436	-
Loans payable	-	214,078	-
Accrued compensated absences	13,680	747,009	45,340
Pollution remediation obligation	-	400,000	-
Certificates of participation and revenue bonds payable	-	5,333,141	-
Total current liabilities	<u>1,164,596</u>	<u>16,474,097</u>	<u>362,633</u>
Noncurrent liabilities:			
Loans payable	-	672,610	-
Self insurance liability	-	-	8,065,374
Accrued compensated absences	76,805	1,850,990	8,217,080
Certificates of participation and revenue bonds payable	-	116,121,710	-
Net pension liability	653,855	26,790,552	1,512,040
Net OPEB liability	-	-	33,422,021
Pollution remediation obligation	-	16,189,754	-
Total noncurrent liabilities	<u>730,660</u>	<u>161,625,616</u>	<u>51,216,515</u>
Total liabilities	<u>1,895,256</u>	<u>178,099,713</u>	<u>51,579,148</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	8,374	343,129	19,366
Related to OPEB	-	-	2,006,962
Total deferred inflows of resources	<u>8,374</u>	<u>343,129</u>	<u>2,026,328</u>
<b>NET POSITION</b>			
Net investment in capital assets	16,754,967	129,858,469	21,708
Restricted for:			
Debt service	-	4,863,516	-
Pensions	67,349	2,366,237	83,988
Pollution Remediation	-	13,172,470	-
Unrestricted	2,439,770	27,956,589	(36,437,375)
Total net position	<u>\$ 19,262,086</u>	<u>\$ 178,217,281</u>	<u>\$ (36,331,679)</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	Business-type Activities		
	Electric	Wastewater	Water
<b>OPERATING REVENUES</b>			
Charges for services	\$ 67,961,351	\$ 15,904,204	\$ 13,344,473
<b>OPERATING EXPENSES</b>			
Personnel services	10,094,767	4,575,112	3,014,211
Supplies, materials and services	12,637,458	2,937,048	3,339,632
Utilities	36,982,797	795,186	537,561
Depreciation	2,293,864	4,319,907	3,264,761
Claims	-	-	-
Total operating expenses	<u>62,008,886</u>	<u>12,627,253</u>	<u>10,156,165</u>
Operating income (loss)	<u>5,952,465</u>	<u>3,276,951</u>	<u>3,188,308</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	426,995	650,332	448,331
Interest expense	(2,095,098)	(1,782,485)	(1,983,216)
Operating grants	-	2,439,863	620,998
Greenhouse gas allowance	2,385,598	-	-
Other revenues	1,399,399	273,583	380,777
Gain on sale of city property	36,686	17,417	466
Total nonoperating revenues (expenses)	<u>2,153,580</u>	<u>1,598,710</u>	<u>(532,644)</u>
Income (loss) before contributions and transfers	8,106,045	4,875,661	2,655,664
Capital contributions	139,731	1,291,892	(121,090)
Transfers out	(2,149,040)	(1,083,710)	(821,900)
Change in net position	<u>6,096,736</u>	<u>5,083,843</u>	<u>1,712,674</u>
Total net position (deficit) - beginning, as restated (Note 16)	17,441,058	59,883,088	68,737,796
Total net position (deficit) - ending	<u>\$ 23,537,794</u>	<u>\$ 64,966,931</u>	<u>\$ 70,450,470</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	Business-type Activities		Governmental
	Non-Major		Activities
	Transit Funds	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$ 216,006	\$ 97,426,034	\$ 12,161,074
<b>OPERATING EXPENSES</b>			
Personnel services	361,589	18,045,679	1,543,201
Supplies, materials and services	3,260,464	22,174,602	8,070,955
Utilities	56,737	38,372,281	11,506
Depreciation	1,406,903	11,285,435	1,447
Claims	-	-	3,348,273
Total operating expenses	<u>5,085,693</u>	<u>89,877,997</u>	<u>12,975,382</u>
Operating income (loss)	<u>(4,869,687)</u>	<u>7,548,037</u>	<u>(814,308)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	58,530	1,584,188	200,629
Interest expense	-	(5,860,799)	-
Operating grants	2,814,525	5,875,386	-
Greenhouse gas allowance	-	2,385,598	-
Other revenues	211,319	2,265,078	285,420
Gain on sale of city property	1,966	56,535	-
Total nonoperating revenues (expenses)	<u>3,086,340</u>	<u>6,305,986</u>	<u>486,049</u>
Income (loss) before contributions and transfers	<u>(1,783,347)</u>	<u>13,854,023</u>	<u>(328,259)</u>
Capital contributions	781,518	2,092,051	-
Transfers out	(179,130)	(4,233,780)	-
Change in net position	<u>(1,180,959)</u>	<u>11,712,294</u>	<u>(328,259)</u>
Total net position (deficit) - beginning, as restated (Note 16)	20,443,045	166,504,987	(36,003,420)
Total net position (deficit) - ending	<u>\$ 19,262,086</u>	<u>\$ 178,217,281</u>	<u>\$ (36,331,679)</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	Business-type Activities - Enterprise Funds		
	Electric	Wastewater	Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 68,434,425	\$ 16,284,478	\$ 13,999,706
Cash from interfund customers	-	-	-
Payments to suppliers	(50,368,569)	(2,281,763)	(4,058,434)
Payments to employees	(7,905,476)	(3,798,650)	(2,883,115)
Due from other funds charges for services	(3,940)	(758,835)	(510,950)
Net cash provided (used) by operating activities	<u>10,156,440</u>	<u>9,445,230</u>	<u>6,547,207</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants	-	2,439,863	620,998
Repaid from other funds	-	-	435,346
Received - greenhouse gas allowance	2,385,598	-	-
Sale of property	36,686	17,417	466
Transfers out	(2,149,052)	(1,083,710)	(821,900)
Net cash provided (used) by noncapital financing activities	<u>273,232</u>	<u>1,373,570</u>	<u>234,910</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Fees received for water meter installations	-	-	33,347
Acquisition and construction of capital assets	(1,375,623)	(6,888,453)	120,348
Fees received from developers	1,521,843	548,873	(168,442)
Capital grants received	-	-	-
Principal payments on debt	(193,726)	(1,764,687)	(980,000)
Interest payments on debt	(1,522,360)	(1,570,390)	(1,985,666)
Net cash provided (used) by capital and related financing activities	<u>(1,569,866)</u>	<u>(9,674,657)</u>	<u>(2,980,413)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	411,289	350,575	422,062
Net cash provided by investing activities	<u>411,289</u>	<u>350,575</u>	<u>422,062</u>
Net increase (decrease) in cash and cash equivalents	9,271,095	1,494,718	4,223,766
Balances - beginning of year	18,178,920	18,704,749	20,661,902
Balances - end of the year	<u>\$ 27,450,015</u>	<u>\$ 20,199,467</u>	<u>\$ 24,885,668</u>
<b>Reconciliation to the statement of net position:</b>			
Cash and investments	\$ 26,108,963	\$ 19,414,709	\$ 8,846,454
Restricted cash and investments	-	-	13,172,470
Restricted assets with fiscal agents	20,884	2,465,248	2,377,384
Restricted cash and investments	1,320,168	489,360	489,360
Less: Guaranteed Investment Contract	-	(2,169,850)	-
Total cash and cash equivalents	<u>\$ 27,450,015</u>	<u>\$ 20,199,467</u>	<u>\$ 24,885,668</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	Business-type Activities - Enterprise Funds		
	Electric	Wastewater	Water
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income	\$ 5,952,465	\$ 3,276,951	\$ 3,188,308
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense	2,293,864	4,319,907	3,264,761
Other revenues	1,399,399	273,583	347,430
Loan proceeds	(15,473)	11,765	-
Fees received for water meter installations	-	-	-
Changes in assets, liabilities and deferred outflow/inflows of resources:			
Loans receivable	15,161	-	-
Customer Receivables	182,694	94,927	122,568
Advance receivable	(1,444,297)	-	-
Inventory	(525,246)	(5,037)	(203,007)
Other assets	(9,167)	-	-
Deferred inflows of resources	-	-	-
Deferred outflows of resources	(259,755)	(121,326)	(16,722)
Compensated absences	(31,301)	36,229	(7,235)
Accounts Payable - Supplier	1,212,670	696,673	(40,181)
Accrued salaries and wages	114,502	84,390	10,271
Net pension liability, OPEB and related amounts	1,270,924	777,168	144,782
Self-insurance liability	-	-	-
Pollution remediation obligation	-	-	(263,768)
Unclaimed Property	-	-	-
Net cash provided by operating activities	<u>\$ 10,156,440</u>	<u>\$ 9,445,230</u>	<u>\$ 6,547,207</u>
<u>Noncash investing, capital and financing activities:</u>			
Capital asset contributions	\$ 139,731	1,291,892	\$ (121,090)
Amortization of issuance premium	438,871	297,292	19,700
Amortization of losses on defeasance	556,877	-	-
Total noncash investing, capital and financing activities	<u>\$ 1,135,479</u>	<u>\$ 1,589,184</u>	<u>\$ (101,390)</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	Business-type Activities - Enterprise Funds		Governmental Activities
	Non-Major		Internal Service Funds
	Transit Fund	Total Enterprise Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 427,325	\$ 99,145,934	\$ 341,935
Cash from interfund customers	-	-	12,156,716
Payments to suppliers	(2,591,102)	(59,299,868)	(11,338,239)
Payments to employees	(347,737)	(14,934,978)	(1,684,051)
Due from other funds	(47,222)	(1,320,947)	-
Net cash provided (used) by operating activities	<u>(2,558,736)</u>	<u>23,590,141</u>	<u>(523,639)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants	1,817,859	4,878,720	-
Repaid from other funds	-	435,346	-
Received - greenhouse gas allowance	-	2,385,598	-
Sale of property	1,966	56,535	-
Transfers out	(179,130)	(4,233,792)	-
Net cash provided (used) by noncapital financing activities	<u>1,640,695</u>	<u>3,522,407</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Fees received for water meter installations	-	33,347	-
Acquisition and construction of capital assets	(1,467,274)	(9,611,002)	-
Fees received from developers	-	1,902,274	-
Capital grants received	2,263,279	2,263,279	-
Principal payments on debt	-	(2,938,413)	-
Interest payments on debt	-	(5,078,416)	-
Net cash provided (used) by capital and related financing activities	<u>796,005</u>	<u>(13,428,931)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	58,574	1,242,500	199,987
Net cash provided by investing activities	<u>58,574</u>	<u>1,242,500</u>	<u>199,987</u>
Net increase (decrease) in cash and cash equivalents	(63,462)	14,926,117	(323,652)
Balances - beginning of year	1,198,021	58,743,592	15,136,293
Balances - end of the year	<u>\$ 1,134,559</u>	<u>\$ 73,669,709</u>	<u>\$ 14,812,641</u>
<b>Reconciliation to the statement of net position:</b>			
Cash and investments	\$ 1,067,210	\$ 55,437,336	\$ 14,682,091
Restricted cash and investments	-	13,172,470	46,562
Restricted assets with fiscal agents	-	4,863,516	83,988
Restricted cash and investments	67,349	2,366,237	-
Less: Guaranteed Investment Contract	-	(2,169,850)	-
Total cash and cash equivalents	<u>\$ 1,134,559</u>	<u>\$ 73,669,709</u>	<u>\$ 14,812,641</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	Business-type Activities - Enterprise Funds		Governmental Activities
	Non-Major Transit Fund	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income	\$ (4,869,687)	\$ 7,548,037	\$ (814,308)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense	1,406,903	11,285,435	1,447
Other revenues	211,319	2,231,731	285,418
Loan proceeds	-	(3,708)	-
Fees received for water meter installations	-	-	-
Changes in assets, liabilities and deferred outflow/inflows of resources:			
Loans receivable	-	15,161	-
Customer Receivables	-	400,189	52,158
Advance receivable	-	(1,444,297)	-
Inventory	-	(733,290)	4,757
Other assets	-	(9,167)	1,323
Deferred inflows of resources	-	-	212,079
Deferred outflows of resources	(6,044)	(403,847)	-
Compensated absences	(1,144)	(3,451)	(364,580)
Accounts Payable - Supplier	678,878	2,548,040	20,251
Accrued salaries and wages	6,319	215,482	11,652
Net pension liability, OPEB and related amounts	14,720	2,207,594	-
Self-insurance liability	-	-	70,838
Pollution remediation obligation	-	(263,768)	-
Unclaimed Property	-	-	(4,674)
Net cash provided (used) by operating activities	<u>\$ (2,558,736)</u>	<u>\$ 23,590,141</u>	<u>\$ (523,639)</u>
<u>Noncash investing, capital and financing activities:</u>			
Capital asset contributions	\$ 781,518	\$ 2,092,051	\$ -
Amortization of issuance premium	-	755,863	-
Amortization of losses on defeasance	-	556,877	-
Total noncash investing, capital and financing activities	<u>\$ 781,518</u>	<u>\$ 3,404,791</u>	<u>\$ -</u>

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Fiduciary Net Position**  
**June 30, 2019**

	Private-Purpose Trust	
	Funds	Agency Funds
<b>ASSETS</b>		
Cash and investments	\$ 145,833	\$ 367,800
Interest receivable	2	451
Total assets	<u>145,835</u>	<u>\$ 368,251</u>
<b>LIABILITIES</b>		
Deposits payable	-	<u>\$ 368,251</u>
<b>NET POSITION</b>	<u>\$ 145,835</u>	

The notes to financial statements are an integral part of this statement.

**CITY OF LODI**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2019**

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	Private-Purpose Trust Funds
ADDITIONS	
Investment and rental income	\$ 12,543
DEDUCTIONS	
Current:	
Library	2,807
Change in Fiduciary Net Position	9,736
Net Position - beginning of the year	136,099
Net Position - end of the year	\$ 145,835

The notes to financial statements are an integral part of this statement.

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

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**CITY OF LODI**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies**

**A. *The Financial Reporting Entity***

The City of Lodi (City) was incorporated on December 6, 1906, as a municipal corporation under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general government, public works, community development, public protection (police and fire), public utilities, library, parks and recreation.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

An elected five-member council governs the City of Lodi. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units, although legally separate entities, are, in substance, part of the City's operations and therefore, their activities are blended with data of the City.

**Blended Component Units**

The blended component units of the City are as follows:

The Lodi Public Improvement Corporation (LPIC) was formed on April 26, 1988, for the purpose of rendering financial assistance to the City in the issuance of the 1988 Certificates of Participation (refunded by the issuance of the 1991 Certificates of Participation) to finance the expansion of the City's White Slough Pollution Control Facility. Since then, several Certificates of Participation were issued to finance various major projects (See Note 7). The City Council constitutes the Board of Directors of LPIC. The funds of LPIC have been included in the Enterprise (Electric and Wastewater) Funds and in the other governmental funds in the accompanying basic financial statements.

The Lodi Financing Corporation (LFC) was formed on October 12, 1999, for the purpose of assisting the City with the financing of the costs of its environmental abatement program and enhancing the water supply of the City for the use, benefit and enjoyment of the citizens served by the City. The City Council is the Board of Directors of LFC. The funds of LFC are included in the Water Fund in the accompanying basic financial statements.

The Lodi Public Financing Authority (LPFA) was created by a Joint Exercise of Powers Agreement between the City and the Industrial Development Authority (IDA) on July 21, 2010, for the purpose of assisting the City in the financings of public capital improvements. The 2010 Water Revenue Bonds Series A and B were issued in October 2010 to provide funds for a new water treatment facility. On September 1, 2012, the \$19,080,000 Refunding Lease Revenue Bonds (2012 LRB) were issued to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. The \$17,105,000 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) were also issued in September 2012 to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation (2004 COP). The 2004 COP were issued to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. The 2016 Refunding Wastewater Revenue Bonds (2016 Bonds) were issued to refinance \$21,415,000 principal amount of the 2007 Wastewater System Revenue Certificates of Participation (2007 COP).

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**A. *The Financial Reporting Entity (Continued)***

The City Council constitutes the Board of Directors of LPFA. The funds of LPFA have been included in the governmental activities and Enterprise (Wastewater and Water) Funds and in the accompanying basic financial statements.

**B. *Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus and accrual basis of accounting*, as are the proprietary fund and private-purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds use the accrual basis of accounting, but they do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal year. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses, intergovernmental revenues, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available when the City receives cash.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The **Streets Fund** accounts for Gas Tax revenues apportioned to the City under the State Streets and Highway Code, impact fees charged to provide for the building of various storm drains and street improvements needed to serve new developments, and to account for funds apportioned to the City for sales tax collections under Measure K.

The City reports the following major proprietary (enterprise) funds:

The **Electric Fund** accounts for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements, and maintenance and debt service.

The **Wastewater Fund** accounts for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

The **Water Fund** accounts for the provision of water to the residents of the City as well as some customers in the San Joaquin County (County). All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Additionally, the City reports the following fund types:

The **Internal Service Funds** account for the City's claims, benefits and fleet services.

The **Fiduciary Funds** account for assets held in trust for other agencies.

**Private-Purpose Trust Funds** are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments. They were established to account for assets held and invested by the Library Board as trustee; and to account for assets held by the City in accordance with a trust agreement on behalf of the Hutchins Square. These funds can only be spent in accordance with the trust agreements.

**Agency Fund** account for assets held by the City as a trustee or as an agent for individuals, private organizations, related organizations and/or other governmental units. This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way/Beckman Districts, the Downtown/Cherokee Lane Districts and various landscape and lighting districts around the City.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Electric, Wastewater, Water and Transit Funds. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, and internal service funds are charges for customer services including electric, wastewater, water and public transportation fees. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. *Cash and Investments***

The City maintains a cash and investment pool that is available for all funds of the City for the purpose of increasing interest earnings through investment activities. Investments are generally stated at fair value with the exception of guaranteed investment contracts, which are stated at cost. Income earned or losses arising from the investment of pooled cash are allocated to various funds based on month-end cash balances in accordance with California Government Code Section 53647. Changes in fair value of investments are recognized as a component of investment income.

**E. *Restricted Cash and Investments***

The City accounts for certain settlement payments for environmental remediation as restricted with the understanding that these funds will be used exclusively for environmental cleanup, investigation or remediation expenses incurred by the City in the specified areas and that they will not be used for the payment of legal or technical fees. These funds are accounted for in the Water Fund.

**F. *Restricted Cash and Investments with Fiscal Agents***

Restricted assets represent the proceeds from debt and other cash and investments held by fiscal agents by agreement that meet the definition of cash and cash equivalents, with the exception of a \$2,169,850 guaranteed investment contract held in the Wastewater Fund which is a long-term investment.

In the Electric Fund, restricted assets represent the proceeds of the 2018 Electric Bonds restricted for debt service. In the Wastewater Fund, the restricted assets represent the proceeds of the 2004A, the 2016A Refunding Wastewater Revenue Bonds and the 2017 Installment Purchase Agreement issued for improvements to the City's wastewater collection, treatment and disposal system. In the Water Fund, restricted assets represent the proceeds of the 2010A and 2010B Revenue Bonds issued for the purpose of providing funds to pay the cost of a new Water Treatment Facility.

**G. *Receivables***

Revenues are recorded when received in cash, except revenues subject to accrual (up to 90 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**G.      *Receivables (Continued)***

Federal and State grants are considered receivable and accrued as revenue when all eligibility requirements have been met under the accrual basis of accounting in the government-wide statement of net positions. The amount recognized as revenue under the modified accrual basis of accounting in the governmental funds is limited to the amount that is deemed measureable and available.

Billed but not collected and unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

**H.      *Loan Receivables***

Loans receivable reported in the HOME Program and Community Development Block Grants Special Revenue Fund represent funds loaned to first-time homebuyers. Loans receivable in the Electric Enterprise Fund represent loans to eligible industrial and commercial customers participating in the Lodi Energy Efficiency Financing Pilot Project.

In December 2009, the City entered into a contractual relationship with the California Department of Housing and Community Development (HCD) to administer a First-time Homebuyers Program. The loan program is intended to provide deferred down-payment assistance to first-time homebuyers who are at or below 80% of the median income, for the purchase of homes within Lodi. The loan bears 2% interest and is due and payable 30 years from close of escrow, upon transfer of the property or when the home is no longer owner-occupied, whichever comes first. At June 30, 2019, the outstanding balance of these loans amounted to \$27,159, which the City included in due from other governmental agencies.

In December 2012, the City increased the loan funds in its public benefits program from which G2, G3, G4, G5 or I1 electric utility rate commercial and industrial customers may borrow money to implement energy conservation projects in their facilities. The loan is at zero interest rate payable in two years capped at \$150,000 per customer. As of June 30, 2019, a total of twenty-three loans to industrial and commercial customers have been approved. At June 30, 2019, there were three outstanding loans, with a balance of \$71,203.

**I.      *Property Taxes***

The County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13, plus a percentage of the increase in market value in specific areas. The City's property tax lien is based on the assessed value listed as of the prior January 1st for all real and personal property located in the City. Property sold after the assessment date (January 1st) is reassessed and the amount of property tax assessed is prorated. The assessed value at January 1, 2019, upon which the 2018-19 levy was based, was \$6,149,013,174.

Secured property taxes are levied on October 1 and are due in two installments on November 1 and February 1. The tax becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is levied on July 1, due on July 31 and becomes delinquent after August 31.

Property taxes levied for the year ended June 30, 2019, are recorded as receivables. Property taxes paid to the City by the County within 60 days of the fiscal year-end are considered "available" and are, therefore, recognized as revenue in governmental funds.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**I. Property Taxes (Continued)**

In 1993, the City made an agreement with the San Joaquin County to participate in the Teeter Plan. The Teeter plan is an alternative method of apportioning property tax money. The City receives 95% of the property taxes in advance from the County and the 5% remaining after reconciling the City's balance at June 30. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes.

**J. Due From/Due To Other Funds, Advances To/Advances From Other Funds, and Internal Balances**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds". Long-term interfund loans receivable are reported as "advances to other funds". The corresponding long-term interfund loans payable are reported as "advances from other funds". In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Receivables and payables between the governmental activities and the business-type activities are classified as internal balances.

**K. Transfers**

In the fund financial statements, interfund transfers are recorded as transfers in (out) except for transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of fiscal year.

Reimbursements for expenditures/expenses, initially made by one fund that is properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

**L. Long-term Obligations**

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium. Losses occurring from advance refunding are reported as deferred outflows of resources and amortized as an expense for both governmental and business-type activities.

**M. Advance Receivable**

Advance receivable reported in the Electric Enterprise Fund represents the City's portion of the Northern California Power Agency's (NCPA) General Operating Reserve that is refundable upon demand by the City (See Note 11).

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**N. *Inventory***

Other governmental funds inventories are recorded at cost and are recognized as expenditures when consumed rather than when purchased. For the proprietary fund types, inventories are recorded at cost using the weighted average cost method, which approximates market, and expense is recognized when inventories are consumed in operations.

**O. *Deferred Outflows and Inflows of Resources***

Unamortized Losses on Defeasance

Deferred outflows of resources reported in the Wastewater Enterprise Fund and business-type activities include the refunding loss incurred on the issuance of the 2012 Refunding Revenue Bonds amortized over 11 years, and the 2016 Refunding Revenue Bonds amortized over 21 years. Deferred outflows of resources reported in the governmental activities represent the refunding loss incurred with the issuance of the 2012 Refunding Lease Revenue Bonds.

Related to Pensions

Pension contributions made in the current year, changes of assumptions, difference between expected and actual experience and the net difference between projected and actual earnings on plan investments are reported as deferred outflows or deferred inflows of resources per GASB Statement No. 71 as the CalPERS' valuation measurement date is June 30, 2018. These amounts are to be recognized in future pension expense and the amortization period differs depending on the source of the gain or loss.

Related to OPEB

OPEB contributions made in the current year are reported as deferred outflows of resources per GASB Statement No. 71 as the CalPERS' valuation measurement date is June 30, 2018. Those contributions will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Plan earnings in excess of earnings projected, changes in assumptions, differences between expected and actual experience in the OPEB actuarial report are reported as deferred outflows or inflows of resources.

Unavailable Revenue

The unavailable revenue in the governmental funds is related to the HCD's First-time Homebuyers Program, Development Impact Fees, fines, forfeits, and penalties, and miscellaneous revenue for various projects. All fees are expected to be repaid in full.

**P. *Capital Assets***

Capital assets, which include land, works of art, buildings and improvements, machinery and equipment, vehicles, infrastructure (e.g., streets, streetlights, traffic signals, sidewalks, and bridges), and electric lines, wastewater lines and storm drains are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the City as assets with individual cost of \$10,000 or more and have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. Capital outlay is recorded as expenditures in the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**P. Capital Assets (Continued)**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. As required by the Governmental Accounting Standards Board Statement No. 34, beginning July 1, 2002, the City has capitalized infrastructure, primarily its network of streets, as part of the capital assets shown in the governmental activities column on the government-wide statement of net position. This capitalization included infrastructure that could be identified and has been acquired since July 1, 1980.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	3 - 40
Machinery and equipment	2 - 40
Vehicles	5 - 15
Infrastructure	10 - 50

**Q. Compensated Absences/Vacation and Sick Leave**

The City accrues for compensated absences, in the government-wide financial statements and the proprietary funds financial statements, to pay its employees for the unused vacation, compensatory time, and miscellaneous leave. The City is not obligated to pay for unused sick leave if employees terminate prior to retirement.

Employees hired prior to July 1, 1994, after 10 years with the City and only upon retirement, may convert their accumulated sick leave time to medical insurance premiums under the following options: bank or conversion. The bank option converts the unused sick leave into a dollar amount that will be placed into a “bank” to be used for medical insurance premiums for the employee. The conversion option takes the unused sick leave and converts it to days and the City will pay the medical insurance premiums for the employee for each day after conversion.

**R. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous and Safety Plans (Plans) and additions to/deductions from the Plans’ 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.

The following timeframes are used for Pensions reporting:

Valuation Date:	June 30, 2017, rolled forward to June 30, 2018
Measurement Date:	June 30, 2018
Measurement Period:	July 1, 2017 to June 30, 2018

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**S. Other Post-Employment Benefits (OPEB)**

For purposes of measuring the Net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

The following timeframes are used for OPEB reporting:

Valuation Date:	June 30, 2017, rolled forward to June 30, 2018
Measurement Date:	June 30, 2018
Measurement Period:	July 1, 2017 to June 30, 2018

**T. Self-Insurance**

The City is self-insured for general liability, workers' compensation, dental benefits, unemployment and long-term disability. Various City funds are charged premiums for the City's self-insurance liability, which is accounted for in an internal service fund. The accrued liability for estimated self-insured claims represents an estimate of the eventual loss on claims arising prior to year-end including claims incurred but not reported.

**U. Net Position**

In the government-wide and proprietary funds financial statements, net position is reported in one of three categories:

**Net Investment in Capital Assets** – This category consists of capital assets net of accumulated depreciation and reduced by deferred outflows of resources and outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

**Restricted Net Position** – Assets restricted by external creditors, grantors, contributors, enabling legislation or laws or regulations of other governments reduced by liabilities related to those assets.

**Unrestricted Net Position** – This category consists of all net position that does not meet the definition of net investment in capital assets or restricted net position.

Fund balances presented in the governmental fund financial statements represent the difference between assets, liabilities and deferred inflows of resources. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified in categories based upon the type of constraints imposed on the use of funds. The City evaluated each of its funds at June 30, 2019 and classified fund balances into the following five categories:

**Non-spendable** – Amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund or (2) legally or contractually required to remain intact.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**U. Net Position (Continued)**

**Restricted** – Amounts that are restricted by external parties such as creditors or imposed by grants, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City has legislative restrictions on amounts collected and reported in the City’s various governmental funds.

**Committed** – Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action by the City’s “highest level of decision-making authority”, which the City considers to be an ordinance passed by the Lodi City Council.

**Assigned** – Amounts that have been allocated by action of the Lodi City Council in which the City’s intent is to use the funds for a specific purpose. Once assigned, funds may only be released by resolution of the City Council.

**Unassigned** – Amounts that constitute the residual balances that have no restrictions placed upon them and are reported in the General Fund. For other governmental funds, as restrictions exceed available resources only deficit amounts are reported in the unassigned category.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then unrestricted resources as they are needed.

The City does not have a policy on the order of spending unrestricted amounts when an expenditure is incurred for which amounts in any of the unrestricted fund balance classifications could be used. Therefore, by default under GASB Statement No. 54, the City uses committed resources first, then assigned resources and unassigned resources last as they are needed.

It is the City’s policy to maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds of at least 25% of operating expenses and the target for the Electric Enterprise Fund working capital is \$22.8 million. The policy allows for variations from year-to year to account for economic and fiscal changes. The City Council also adopted a policy to establish the following reserves:

**Catastrophic reserve** – To maintain the ability of the City to meet operational costs during times of declared emergency or major catastrophe, the City shall designate General Fund balance of a minimum of 8% of annual General Fund revenues reported as unassigned fund balance. This reserve may only be drawn upon pursuant to an emergency as declared under the Municipal Code.

**Economic reserve** – To maintain the City’s economic viability and to meet seasonal cash flow shortfalls, the City shall designate General Fund economic reserve balance of a minimum of 8% of annual General Fund revenues reported as unassigned fund balance. Funding the economic reserve will begin in the fiscal year following full funding of the catastrophic reserve. Funding may only be disbursed upon a resolution of the City Council.

Once fully funded, if these reserves fall below 5% of annual revenues, the City Manager shall prepare a plan within three months of approval of the City’s financial statements. This plan will restore the 5% within 12 months and the 8% within 24 months.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**V. *Statement of Cash Flows***

A statement of cash flows is presented for proprietary fund types. For purposes of reporting cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased and investments maintained in the pool to be cash equivalents.

**W. *Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**X. *Future Implementation of New Governmental Accounting Standards***

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB Statement No. 83), to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 requires the current value of a government's AROs to annually be adjusted for the effects of general inflation or deflation, and relevant factors that may significantly change the estimated asset retirement outlays. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This statement did not have a significant impact to the City's basic financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB Statement No. 88), to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement did not have a significant impact to the City's basic financial statements.

**Future Implementations:**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB Statement No. 84 is effective for the City's fiscal year ending June 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**X. Future Implementation of New Governmental Accounting Standards (Continued)**

resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87 is effective for the City’s fiscal year ending June 30, 2021.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for the City’s fiscal year ending June 30, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. GASB Statement No. 90 is effective for the City’s fiscal year ending June 30, 2020.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 is effective for the City’s fiscal year ending June 30, 2022.

**Note 2 – Cash and Investments**

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-type Activities	Total	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 50,612,594	\$ 55,437,336	\$ 106,049,930	\$ 513,633	\$ 106,563,563
Restricted cash and investments	\$ 11,617,849	\$ 20,402,223	\$ 32,020,072	\$ -	\$ 32,020,072

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 2 – Cash and Investments (Continued)**

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	\$	3,396
Demand deposits		3,973,891
		3,977,287
Investments		134,606,348
Total cash and investments	\$	138,583,635

**A. Authorized Investments**

The City has adopted an investment policy pursuant to Government Code Section 53601, which authorizes the City to invest surplus funds in the City Treasury in certain investment categories authorized by the California Government Code and the City's Investment Policy. The City's Investment Policy is more restrictive than the Government Code.

The following table identifies the permitted investment types authorized per the City's investment policy. The table also identifies certain provisions that address interest rate risk and concentration of credit risk.

Permitted Investments	Maturity	Maximum % of Portfolio	Minimum Quality Requirements
U.S. Treasury Obligations	5 years	100%	None
US Government Agency Securities & Instrumentalities	5 years	100%	None
Bankers Acceptances	180 days	40%	None
Certificates of Deposit	5 years	100%	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	30%	Credit rating of P1/A1 or A1+/F1 or F1+ by Moody's S&P or Fitch
California State Local Agency Investment Fund	Indefinite	100%	None
Passbook Deposits	Indefinite	100%	None
Mutual Funds & Money Market Mutual Funds	N/A	20%	Multiple Requirements per Gov't Code
Medium Term Corporation Notes	5 years	30%	A-/A3/A- by Moody's, S&P, or Fitch
Joint Powers Authority Pool	Indefinite	30% <sup>(1)</sup>	Multiple Requirements per Gov't Code
Certificates of Deposit Account Registry Service (CDARS)	Indefinite	30%	None
Supranational Obligations	5 years	30%	AA-/Aa3/AA- by Moody's, S&P, or Fitch
Municipal Securities (50 States or California Local Agencies)	5 years	100%	None

(1) Funds held at NCPA shall not count to this limit)

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 2 – Cash and Investments (Continued)**

**B. Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustee are governed by the provisions of the debt agreements as to the extent that they are permissible investments of funds of the City.

**C. Restricted Cash**

The City has established a pension stabilization account with Public Agency Retirement Services (PARS), which invests in a Balanced Index PLUS Fund. The investments made by the City to this fund, are in restricted cash and investments.

**D. Disclosure Relating to 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. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio, as well as limiting a securities maturity to five years or less for investments in the investment pool. Investments held outside the investment pool can have longer maturities as these funds are restricted by bond covenants and are held to the maturity of the bonds.

<i>Investment Type</i>	<i>AAA/Aaa</i>	<i>AA+/AA/AA-</i>	<i>A+/A/A-</i>	<i>BBB+/BBB/BBB-</i>	<i>NR</i>	<i>Total</i>
<b>Investments by Fair Value:</b>						
<b>Held by Trustee:</b>						
US Agency Securities	\$ 250,276	\$ 15,099,528	\$ -	\$ -	\$ 909,986	\$ 16,259,790
Money Market Mutual Funds	-	-	-	-	5,780,808	5,780,808
Municipal Securities	2,353,792	10,857,675	2,143,437	-	-	15,354,904
Corporate Securities	1,109,386	6,315,095	11,857,930	902,535	-	20,184,946
Negotiable Certificate of Deposits	-	-	-	-	12,563,918	12,563,918
Guaranteed Investments Contracts	-	-	-	-	2,169,850	2,169,850
<b>Exempt from Credit Rating Disclosure:</b>						
U.S Treasury Notes	-	-	-	-	10,146,787	10,146,787
<b>Held by City:</b>						
CALTRUST	-	-	-	-	10,062,816	10,062,816
PARS	-	-	-	-	13,937,524	13,937,524
Local Bank Certificate of Deposits	-	-	-	-	2,270,273	2,270,273
Demand Deposits	-	-	-	-	3,973,891	3,973,891
Cash on hand	-	-	-	-	3,396	3,396
LAIF	-	-	-	-	25,874,732	25,874,732
<b>Total Cash and Investments</b>	<b>\$ 3,713,454</b>	<b>\$ 32,272,298</b>	<b>\$ 14,001,367</b>	<b>\$ 902,535</b>	<b>\$ 87,693,981</b>	<b>\$ 138,583,635</b>

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 2 – Cash and Investments (Continued)**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organization. Presented below and on the following page is the minimum rating required by the California Government Code, the City’s investment policy, or debt agreements and the actual rating at year end for each investment type.

**E. Concentration of Credit Risk**

The California Government Code and the investment policy of the City contain limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than investments issued by or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools, and other pooled investments) that represent 5% or more of the total City investments are required to be disclosed. Investments in LAIF, CalTRUST, and money market mutual funds are not subject to the concentration of credit risk disclosure. The City holds 58.41% of its investments in the various securities. These investments in aggregate total are greater than 5% of the total investments, and no one individual holding is greater than 5% of the total investments.

<b>Reporting Unit</b>	<b>Issuer</b>	<b>Investment Type</b>	<b>Reported Amount</b>
<b>Entity Wide:</b>	FEDERAL FARM CREDIT BANK SYSTEM	Federal Agency Obligations	\$ 3,765,683
	FEDERAL HOME LOAN BANK	Federal Agency Obligations	3,895,976
	FEDERAL HOME LOAN MORTGAGE CORPORATION	Federal Agency Obligations	3,986,413

**F. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured deposits. The City’s deposits with financial institutions, exceeded federal depository insurance limits by \$12,318,393, was collateralized in this fashion.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 2 – Cash and Investments (Continued)**

**F. Custodial Credit Risk (Continued)**

Investment Type	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 60 Months	Total
<b>Investments by Fair Value:</b>					
<b>Held by City:</b>					
CALTRUST	\$ 10,062,816	\$ -	\$ -	\$ -	\$ 10,062,816
LAIF	25,874,732	-	-	-	25,874,732
PARS	13,937,524	-	-	-	13,937,524
Local Bank Certificate of Deposits	2,270,273	-	-	-	2,270,273
Cash on Hand	3,396	-	-	-	3,396
Demand Deposits	3,973,891	-	-	-	3,973,891
<b>Held by Trustee:</b>					
Negotiable Certificate of Deposits	1,247,923	1,495,613	2,252,798	7,567,585	12,563,918
US Agency Securities	2,498,758	3,211,635	3,239,083	7,310,314	16,259,790
Money Market Mutual Funds	5,780,808	-	-	-	5,780,808
Municipal Securities	2,752,218	3,049,820	3,964,546	5,588,320	15,354,904
Corporate Securities	4,763,267	4,160,440	3,665,729	7,595,509	20,184,945
Guaranteed Investments Contracts	-	-	-	2,169,850	2,169,850
U.S Treasury Notes	1,994,832	2,494,717	2,650,109	3,007,129	10,146,787
<b>Total Investments</b>	<b>\$ 75,160,438</b>	<b>\$ 14,412,225</b>	<b>\$ 15,772,265</b>	<b>\$ 33,238,707</b>	<b>\$ 138,583,635</b>

**G. Investments in Investment Pools**

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. At June 30, 2019, the City's investment position in LAIF was \$25.8 million. The City is also a voluntary participant in the CalTRUST which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST, and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2019, the City's investment in CalTRUST is \$10.1 million; all of which is invested in the Medium term fund.

**H. Investments in Guaranteed Investment Contracts**

The City has entered into nonparticipating guaranteed investment contracts (GICs), which are authorized under bond documents as outlined in the City's investment policy or the debt agreement. GICs are non-marketable interest bearing agreements with or guaranteed by certain financial institutions. The agreements provide for a guaranteed return on principal over a specified period. A GIC is a general obligation instrument issued by a financial institution, subject to applicable legal restrictions. The City's investments in GIC's represent proceeds from bond issues that have been set aside (held for the benefit of the bondholders) as debt service reserves and proceeds of bonds that have been invested until used on the projects being financed. The investment contracts holding debt service reserves are held long-term and bear interest 5.455%, while most project funds are invested short-term with lower

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 2 – Cash and Investments (Continued)**

rates. All of the investment contracts are collateralized by investments, with \$2,169,850 collateralized at 104% to 105%, as set forth in the legal agreements.

**I. Fair Value Measurements**

In accordance with GASB Statement 72, fair value is 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. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability.

Valuation inputs are assumptions that market participants use in pricing an asset or liability. The hierarchy of inputs used to generate the valuation is classified into three different levels.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs include quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for an asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs from the asset or liability where there is very little market activity and they should be used only when relevant Level 1 and Level 2 inputs are unavailable.

The City has the following fair value measurements as of June 30, 2019:

Investment Type	Level 1	Level 2	Total
<b>Investments by Fair Value:</b>			
<b>Held by City:</b>			
Negotiable Certificate of Deposits	\$ -	\$ 12,563,918	\$ 12,563,918
US Agency Securities	-	16,259,790	16,259,790
Money Market	-	-	5,780,808
Guaranteed Investments Contracts	-	-	2,169,850
U.S Treasury Notes	-	-	10,146,787
Municipal Securities	-	15,354,904	15,354,904
Corporate Securities	-	20,184,946	20,184,946
<b>Subtotal</b>	-	64,363,558	82,461,003
<b>Investments Exempt from Fair Value Hierarchy:</b>			
<b>Held by City</b>			
CALTRUST	-	-	10,062,816
PARS	-	-	13,937,524
LAIF	-	-	25,874,732
Local Certificate of Deposits	-	-	2,270,273
Cash on Hand	-	-	3,396
Demand Deposits	-	-	3,973,891
<b>Total Investments</b>	\$ -	\$ -	\$ 138,583,635

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 3 – Allowance for Uncollectible Accounts**

Receivables of the General Fund, Electric, Wastewater and Water funds, as well as the miscellaneous receivables are reported net of uncollectible amounts. Total allowance provided for uncollectible amounts related to receivables of the current period are as follows:

<u>Uncollectibles related to:</u>		
Late charges and services	\$	38,858
Electric sales and services		180,627
Wastewater services		48,955
Water sales and services		41,509
Miscellaneous billing		552,094
Total uncollectibles of the current fiscal year	\$	<u>862,043</u>

**Note 4 – Interfund Receivables/Payables**

Interfund receivables and payables at June 30, 2019 are as follows:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
<i>Non-major governmental</i>	<i>Non-major governmental</i>	
Community Development	Transportation	15,848
	Home & CDBG	66,600
Internal Service Funds	Internal Service Funds	
Benefits	Fleet	75,398
		<u>\$ 157,846</u>

“Due to” and “due from” balances are recorded primarily when funds overdraw their share of pooled cash or when there are short-term loans between funds. The \$82,448 represents cash deficits in other governmental funds. The \$75,398 represents cash deficits in the Internal Service Funds.

<u>Advances to</u>	<u>Advances from</u>	<u>Amount</u>
Other governmental	Water	<u>\$ 548,679</u>

The advances from the Water Fund were used for the construction of Fire Station #4. In FY2019, the interfund loan was taken to Council to establish interest terms and repayment terms. The repayment terms include a quarterly payment of all fee revenue collected, to be applied to outstanding principle prior to calculation of quarterly interest calculation. Interest is calculated on a quarterly compounded basis after payment is applied at the rate of the Variable-1 year United States Treasury Note. The final payment to be made by June 30, 2024.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 5 – Transfers**

Transfers for the year ended June 30, 2019, are summarized as follows:

	Transfers In			Total
	General	Streets	Other Governmental	
<b>Transfers Out:</b>				
General	\$ -	\$ 137,520	\$ 7,606,480	\$ 7,744,000
Other governmental	-	-	1,223,965	1,223,965
Electric	2,149,040	-	-	2,149,040
Wastewater	1,083,710	-	-	1,083,710
Water	821,900	-	-	821,900
Transit	179,130	-	-	179,130
<b>Total</b>	<b>\$ 4,233,780</b>	<b>\$ 137,520</b>	<b>\$ 8,830,445</b>	<b>\$ 13,201,745</b>

During the year, various interfund transfers were made to finance expenditures, subsidize operating losses and service debt.

Transfers out of \$2,149,040 from the Electric Fund, \$1,083,710 from the Wastewater Fund, \$821,900 from the Water Fund and \$179,130 from the Transit Fund represent operating contributions to the General Fund.

The transfer of \$137,520 from the General Fund to the Streets Fund is for operations and for various streets projects.

The transfer of \$7,606,480 from the General Fund to other governmental funds represents transfer of \$1,101,430 to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds; \$3,881,960 to Parks, Recreation, and Community Services Fund for operating costs; \$430,000 to the Capital Outlay Reserve Fund for various capital projects; \$2,126,370 to Vehicle Replacement Funds to fund vehicle replacements; and \$100,000 from Library to Library Capital Fund for library-related capital projects. In addition, Community Development transferred to the General Fund \$(33,280) for normal operating costs.

The transfer out of \$1,223,965 from other governmental funds to other governmental funds includes \$656,010 transferred from Parks, Recreation, and Community Services Fund to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds; transfer of \$318,000 from Parks, Recreation, and Community Services Fund to Parks Capital Fund for park-related capital projects; and transfer of \$21,000 from the Community Development Fund, and \$190,675 from the Parks, Recreation, to the Vehicle and Equipment Fund for fleet replacement; the Arts fund transferred \$5,000 to Parks and Recreation Capital fund; and \$33,280 was transferred in from Community Development to General Fund.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 6 – Capital Assets**

Capital assets activity of the primary government for the year ended June 30, 2019, was as follows:

<b>Governmental activities</b>	<b>As Restated July 1, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2019</b>
Capital assets, not being depreciated:				
Land	\$ 24,947,834	\$ -	\$ (61,239)	\$ 24,886,595
Work of Art	304,907	-	-	304,907
Construction in progress	4,212,019	1,240,061	(3,347,459)	2,104,621
Total capital assets, not being depreciated	29,464,760	1,240,061	(3,408,698)	27,296,123
Capital assets, being depreciated:				
Buildings and improvements	77,456,162	235,362	(219,567)	77,471,957
Machinery and equipment	14,044,854	2,373,287	-	16,418,141
Vehicles	11,704,456	131,426	(146,253)	11,689,629
Infrastructure	171,482,881	4,288,776	-	175,771,657
Total capital assets, being depreciated	274,688,353	7,028,851	(365,820)	281,351,384
Less accumulated depreciation for:				
Buildings and improvements	33,356,636	2,095,117	(219,567)	40,232,186
Machinery and equipment	11,965,882	900,579	-	12,866,461
Vehicles	9,189,525	441,077	(146,253)	9,484,349
Infrastructure	107,166,900	5,664,958	-	112,831,858
Total accumulated depreciation	166,678,943	9,101,731	(365,820)	175,414,854
Total capital assets, being depreciated, net	108,009,410	(2,072,880)	-	105,936,530
Governmental activities capital assets, net	\$ 137,474,170	\$ (832,819)	\$ (3,408,698)	\$ 133,232,653

<b>Business-type activities</b>	<b>As Restated July 1, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2019</b>
Capital assets, not being depreciated:				
Land	\$ 5,535,718	\$ -	\$ -	\$ 5,535,718
Construction in progress	17,616,644	9,085,135	(9,663,252)	17,038,527
Total capital assets, not being depreciated	23,152,362	9,085,135	(9,663,252)	22,574,245
Capital assets, being depreciated:				
Buildings and improvements	48,581,773	-	-	48,581,773
Machinery and equipment*	300,720,549	11,468,440	(2,672,542)	309,516,447
Vehicles	13,717,900	812,730	(403,548)	14,127,082
Total capital assets, being depreciated	363,020,222	12,281,170	(3,076,090)	372,225,302
Less accumulated depreciation for:				
Buildings and improvements	21,944,521	1,284,876	-	23,229,397
Machinery and equipment*	107,191,953	8,678,108	-	115,870,061
Vehicles	9,514,023	1,322,451	(392,337)	10,444,137
Total accumulated depreciation	138,650,497	11,285,435	(392,337)	149,543,595
Total capital assets, being depreciated, net	224,369,725	995,735	(2,683,753)	222,681,707
Business-type activities capital assets, net	\$ 247,522,087	\$ 10,080,870	\$ (12,347,005)	\$ 245,255,952

\*Construction in progress for July 1, 2018 were restated in the amount of \$715,241. Machinery and equipment balances for July 1, 2018 were restated in the amount of \$2,653,445.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 6 – Capital Assets (Continued)**

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental Activities:		Business-type Activities:	
General government	\$ 1,544,290	Electric	\$ 2,293,864
Public protection	692,396	Wastewater	4,319,907
Public works	5,198,667	Water	3,264,761
Community development	19,549	Transit	1,406,903
Library	71,465	Total depreciation expense	\$ 11,285,435
Parks and recreation	1,573,917		
Internal service funds	1,447		
Total depreciation expense	\$ 9,101,731		

**Note 7 – Long – Term Liabilities**

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2019:

Governmental activities:	As Restated July 1, 2018	Additions	Reductions	June 30, 2019	Amounts Due Within One Year
Compensated absences	\$ 8,258,312	\$ 4,579,877	\$ (4,229,015)	\$ 8,609,174	\$ 2,355,345
Sick leave conversion*	8,474,218	-	(369,402)	8,104,816	-
2012 Lease Revenue Bonds	17,130,000	-	(900,000)	16,230,000	930,000
Issuance premium	708,760	-	(53,830)	654,930	53,830
Total	17,838,760	-	(953,830)	16,884,930	983,830
Loan payable	286,236	-	(93,571)	192,665	95,402
Capital lease	409,949	-	(78,624)	331,325	80,272
Self-insurance liability	7,994,536	2,042,840	(1,972,002)	8,065,374	2,042,840
Governmental activities long-term liabilities	\$ 42,892,609	\$ 6,622,717	\$ (7,327,042)	\$ 42,188,284	\$ 5,557,689

\*Sick leave conversion bank options balances restated as of July 1, 2018 in the amount of \$8,104,816.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 7 – Long – Term Liabilities (Continued)**

	As Restated			Amounts Due	
	July 1, 2018	Additions	Reductions	June 30, 2019	Within One Year
<b>Business-type activities:</b>					
Compensated absences	\$ 2,601,449	\$ 2,626,472	\$ (2,629,922)	\$ 2,597,999	\$ 747,009
Pollution remediation obligation	16,853,522	-	(263,768)	16,589,754	400,000
Loan payable	1,095,888	-	(209,200)	886,688	214,078
Certificates of Participation and Revenue Bonds:					
2004 Certificates of Participation A	2,070,000	-	-	2,070,000	-
2010 Water Revenue Bonds A & B	32,680,000	-	(980,000)	31,700,000	1,010,000
Issuance premium	433,405	-	(19,701)	413,704	19,700
Total	33,113,405	-	(999,701)	32,113,704	1,029,700
2012 Wastewater Refunding Revenue Bonds A	10,200,000	-	(1,535,000)	8,665,000	1,600,000
Issuance premium	873,147	-	(166,314)	706,833	166,313
Total	11,073,147	-	(1,701,314)	9,371,833	1,766,313
2016 Wastewater Refunding Revenue Bonds A	20,295,000	-	(110,000)	20,185,000	110,000
Issuance premium	2,455,855	-	(130,979)	2,324,876	130,979
Total	22,750,855	-	(240,979)	22,509,876	240,979
2017 Installment Purchase Agreement	7,762,794	-	(107,922)	7,654,872	108,903
Issuance premium	-	-	-	-	-
Total	7,762,794	-	(107,922)	7,654,872	108,903
2018 Electric System Refunding Revenue Bonds	41,610,000	-	-	41,610,000	1,710,000
Issuance premium	6,681,443	-	(556,877)	6,124,566	477,246
Total	48,291,443	-	(556,877)	47,734,566	2,187,246
Total Certificates of Participation and Revenue Bonds	125,061,643	-	(3,606,792)	121,454,851	5,333,141
Business-type activities long-term liabilities	\$ 145,612,503	\$ 2,626,472	\$ (6,709,683)	\$ 141,529,292	\$ 6,694,228

**Loans Payables**

Governmental Activities:

In September 2015, the City obtained a loan in the amount of \$468,000 to finance the purchase of a fire engine. Annual principal and interest payment is \$99,172 with final payment due on December 1, 2020. The annual payments will be paid from Fire department appropriations.

Business-type Activities:

In August 2015, the City obtained a loan in the amount of \$1.5 million to finance the Electric Enterprise Fund's LED Street Light Retrofit project. Annual principal and interest payment is approximately \$235,000 with final payment due December 1, 2022. The annual payments will be paid from the Greenhouse Gas Free Allowance proceeds.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 7 – Long – Term Liabilities (Continued)**

Annual debt service requirements to maturity of the loans payables are as follows:

Year Ending June 30,	Governmental Activities		Year Ending June 30,	Business-type Activities	
	Principal	Interest		Principal	Interest
2020	\$ 95,402	\$ 3,770	2020	\$ 214,078	\$ 20,677
2021	97,263	1,908	2021	219,027	15,728
Total	<u>\$ 192,665</u>	<u>\$ 5,678</u>	2022	224,178	10,577
			2023	229,405	5,350
			Total	<u>\$ 886,688</u>	<u>\$ 52,332</u>

**Capital Lease**

On June 22, 2016, the City entered into a lease-purchase agreement for the acquisition of Dispatch Console equipment for the Police Department. The new equipment will provide the City with a more flexible system for better connectivity between the Lodi Police Department dispatch operators and field personnel.

The present values of future minimum capital lease payments as of June 30, 2019, are as follows:

Year Ending, June 30	
2020	\$ 80,272
2021	81,955
2022	83,673
2023	85,425
Total minimum lease payments	<u>331,325</u>
Plus amounts representing interest	14,834
Present value of minimum capital lease payments	<u>\$ 346,159</u>

**Certificates of Participation and Revenue Bonds**

Governmental Activities:

On September 1, 2012, the City issued **\$19,080,000** Refunding Lease Revenue Bonds (2012 LRB) to allow the City to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. As of June 30, 2019, there are no outstanding balances of these refunded Certificates. The 1995 Certificates of Participation (1995 COP) were sold in October 1995 to finance the City Downtown Revitalization and the Cherokee Lane Beautification projects. The 1996 Certificates of Participation (1996 COP) were sold in August 1996 to finance the construction of the Hutchins Square Conference and Performing Arts Center. The total principal and interest remaining to be paid on the 2012 LRB is \$21,390,356. Principal is payable annually on October 1 in amounts ranging from \$260,000 to \$1,605,000 beginning in 2016 with final payment due in 2031. Interest paid for the current year was \$755,213.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 7 – Long – Term Liabilities (Continued)**

**Certificates of Participation and Revenue Bonds (Continued)**

Business-type Activities:

On May 12, 2004, the City issued **\$27,360,000** Certificates of Participation (2004A COP) to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. Principal is payable annually commencing 2024 on October 1 in amounts from \$170,000 to \$2,070,000 with final payment due October 1, 2024. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$2,561,630. Interest paid for the current year and total net revenues were \$98,326 and \$9,563,357, respectively.

On October 1, 2010, the City issued **\$9,015,000** Water Revenue Bonds, 2010 Series A and **\$29,650,000** Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) (2010 Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system. Principal is payable annually on June 1 in amounts ranging from \$775,000 to \$2,210,000 with final payment due June 1, 2040. The City has pledged future water revenues, net of operation and maintenance costs, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$57,391,672. Principal and interest paid for the current year and total net revenues were \$2,969,156 and \$8,336,525, respectively.

On August 16, 2012, the City issued **\$17,105,000** 2012 Refunding Wastewater Revenue Bonds Series A (2012 Bonds) to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation. Principal is payable annually on October 1 in amounts ranging from \$1,280,000 to \$1,885,000 beginning in 2013 with final payment due in 2023. The City pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the 2012 Bonds is \$9,707,350. Principal and interest paid for the current year and total net revenues were \$1,949,100 and \$9,563,357, respectively.

On March 10, 2016, the City issued **\$20,295,000** 2016 Refunding Wastewater Revenue Bonds Series A (2016 Bonds) for an advance refunding of the \$21,415,000 principal amount of the 2007 Wastewater Revenue Certificates of Participation. Principal is payable annually on October 1 in amounts ranging from \$110,000 to \$2,175,000 beginning in 2018 with final payment due in 2037. The City pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the 2016 bonds is \$30,078,556. Interest paid for the current year and total net revenues were \$849,150 and \$9,563,357, respectively. At June 30, 2019, the remaining balance of the refunded debt is \$21,264,470.

On December 1, 2017, the City issued **\$7,762,794** 2017 Installment Purchase Agreement for an advance refunding of the \$7,555,000 principal amount of the 2007 Wastewater Revenue Certificates of Participation. Principal is payable annually on October 1 in amounts ranging from \$107,000 to \$545,000 beginning in 2018 with final payment due in 2037. The City pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the 2017 Agreement is \$10,021,445.

On June 13, 2018, the City issued **\$41,610,000** Electric System Revenue Refunding Bonds (2018 Bonds) to allow the City to prepay and cause the immediate defeasance of the outstanding \$55,785,000 Certificates of Participation (Electric System Revenue Certificates of Participation 2008 Series A). Principal is payable annually on September 1 in amounts ranging from \$1,710,000 to \$4,045,000 beginning in 2019 with final payment due in 2032. The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$59,467,804.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 7 – Long – Term Liabilities (Continued)**

**Certificates of Participation and Revenue Bonds (Continued)**

The various indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions.

Annual debt service requirements to maturity for certificates of participation and bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 930,000	\$ 721,087	\$ 4,538,903	\$ 6,002,497
2021	965,000	685,337	5,179,846	5,357,066
2022	1,020,000	635,712	5,410,675	5,132,628
2023	1,065,000	583,587	5,656,416	4,872,773
2024	1,120,000	528,962	5,912,098	4,587,970
2025-2029	6,505,000	1,714,342	33,176,783	18,116,763
2030-2034	4,625,000	291,329	31,785,733	9,738,583
2035-2039	-	-	18,014,418	3,343,622
2040-2044	-	-	2,210,000	146,678
Total	\$ 16,230,000	\$ 5,160,356	\$ 111,884,872	\$ 57,298,580

**Note 8 – Pension Plans**

*Plan Descriptions*

All qualified permanent and probationary employees are eligible to participate in the City’s separate Miscellaneous and Safety Plans (Plans), agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans 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 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.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 8 – Pension Plans (Continued)**

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

<b>Miscellaneous Plan</b>		
	Prior to 1-Jan-13	On or after 1-Jan-13
Hire date	2% @ 55	2% @ 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50-67	52-67
Retirement age	1.426%-2.418%	1% to 2.5%
Monthly benefits, as a % of eligible compensation	7%	6.75%
Required employee contribution rates	21.80%	21.80%
Required employer contribution rates		

<b>Safety Plan</b>			
	Prior to 22-Dec-12	December 22, 2012 to 31-Dec-12	On or after 1-Jan-13
Hire date	3% @ 50	3% @ 55	2.7% @ 57
Benefit formula	5 years of service	5 years of service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life	monthly for life
Benefit payments	50-55	50-55	50-57
Retirement age	3%	2.4% to 3%	2% to 2.7%
Monthly benefits, as a % of eligible compensation	9%	9%	11.25%
Required employee contribution rates	44.75%	44.75%	44.75%
Required employer contribution rates			

*Employees Covered*

At June 30, 2019, the most recent actuarial valuation available, the following employees were covered by the benefits of the City's Plans:

	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	255	108
Inactive employees entitled but not yet receiving benefits	117	24
Active employees	130	194
Total	502	326

*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 both Plans 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. The contributions for the measurement period were as follows:

	Miscellaneous	Safety	Aggregate Total
Contributions - employer	\$ 4,208,873	\$ 5,549,746	\$ 9,758,619

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 8 – Pension Plans (Continued)**

*Net Pension Liability*

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures.

*Actuarial Assumptions*

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Investment Rate of Return	7.50% <sup>(1)</sup>	7.50% <sup>(1)</sup>
Mortality	Based on rates of CalPERS Experience Study	

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the 2017 CalPERS Experience Study for the period from 1997 to 2017. Further details of the Experience Study can be found on the CalPERS website.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15% for each 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 7.15% 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.

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. 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.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 8 – Pension Plans (Continued)**

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 rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 <sup>(1)</sup>	Real Return Years 11 + <sup>(2)</sup>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	77.0%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% used for this period.

*Changes in the Net Pension Liability*

The changes in the Net Pension Liability for each Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Miscellaneous Plan:</b>			
<b>Balance at June 30, 2017 <sup>(1)</sup></b>	\$ 190,531,368	\$ 132,306,298	\$ 58,225,070
<b>Changes in the year:</b>			
Service cost	3,020,122	-	3,020,122
Interest on the total pension liability	13,374,883	-	13,374,883
Changes in assumptions	(950,894)	-	(950,894)
Changes in benefit terms	47,853	-	47,853
Differences between expected and actual experience	830,292	-	830,292
Contribution - employer	-	4,208,873	(4,208,873)
Contribution - employee	-	1,364,684	(1,364,684)
Net investment income <sup>(2)</sup>	-	11,191,848	(11,191,848)
Benefit payments, including refunds of employee contributions	(9,814,728)	(9,814,728)	-
Other changes in fiduciary net position	-	(598,013)	598,013
<b>Net changes during measurement period</b>	<b>6,507,528</b>	<b>6,352,664</b>	<b>154,864</b>
<b>Balance at June 30, 2018</b>	<b>\$ 197,038,896</b>	<b>\$ 138,658,962</b>	<b>\$ 58,379,934</b>

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.

(2) Net of administrative expenses.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 8 – Pension Plans (Continued)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at June 30, 2017</b> <sup>(1)</sup>	\$ 189,821,025	\$ 112,118,815	\$ 77,702,210
<b>Changes in the year:</b>			
Service cost	3,385,583	-	3,385,583
Interest on the total pension liability	13,288,494	-	13,288,494
Changes in assumptions	(681,450)	-	(681,450)
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(122,816)	-	(122,816)
Contribution - employer	-	5,549,746	(5,549,746)
Contribution - employee	-	1,079,094	(1,079,094)
Net investment income <sup>(2)</sup>	-	9,544,033	(9,544,033)
Benefit payments, including refunds of employee contributions	(9,712,985)	(9,712,985)	-
Other changes in fiduciary net position	-	(506,769)	506,769
<b>Net changes during measurement period</b>	<b>6,156,826</b>	<b>5,953,119</b>	<b>203,707</b>
<b>Balance at June 30, 2018</b>	<b>\$ 195,977,851</b>	<b>\$ 118,071,934</b>	<b>\$ 77,905,917</b>

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.

(2) Net of administrative expenses.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's 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 Plan	Safety Plan
1% Decrease	6.15%	6.15%
Net Pension Liability	\$83,800,072	\$104,835,584
Current Discount Rate	7.15%	7.15%
Net pension Liability	\$58,379,934	\$77,905,917
1% Increase	8.15%	8.15%
Net Pension Liability	\$37,299,772	\$55,833,152

*Pension Plan Fiduciary Net Position*

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

*Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions*

For the year ended June 30, 2019, the City recognized pension expense of \$3,919,916 and \$6,247,800 for the Miscellaneous and Safety Plans, respectively.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 8 – Pension Plans (Continued)**

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,907,206	\$ -	\$ 6,195,073	\$ -	\$ 11,102,279	\$ -
Changes of assumptions	3,011,718	633,929	5,733,509	655,196	8,745,227	1,289,125
Difference between expected and actual experience	553,528	113,794	760,307	137,287	1,313,835	251,081
Net differences between projected and actual earnings on plan investments	354,471	-	285,758	-	640,229	-
<b>Total</b>	<b>\$ 8,826,923</b>	<b>\$ 747,723</b>	<b>\$ 12,974,647</b>	<b>\$ 792,483</b>	<b>\$ 21,807,570</b>	<b>\$ 1,540,206</b>

The \$4,907,206 and \$6,195,073 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 next measurement period or the year ending June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending 30-Jun	Miscellaneous Plan	Safety Plan	Total
2019	\$ 4,589,765	\$ 4,091,993	\$ 8,681,758
2020	345,855	3,032,638	3,378,493
2021	(1,378,761)	(784,056)	(2,162,817)
2022	(384,865)	(353,484)	(738,349)
<b>Total</b>	<b>\$ 3,171,994</b>	<b>\$ 5,987,091</b>	<b>\$ 9,159,085</b>

**Note 9 – Post Employment Benefits Other Than Pensions**

**A. Plan Description**

The City sponsors a single-employer defined-benefit postemployment healthcare plan (Retiree Health Plan) to provide medical insurance benefits to eligible retired employees and their spouses. The Plan does not issue a publicly available financial report. Medical coverage is provided through CalPERS healthcare program. Employees who retire from the City and receive a CalPERS pension are eligible for postemployment medical benefits. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. In general, retirees must contribute any premium amounts in excess of the City contribution. However, as described below, a closed group of active employees and retirees receive additional postemployment benefits.

Employees hired prior to the dates shown in the following table are allowed to convert their accumulated sick leave into postemployment medical benefits at retirement as long as they have ten or more years of service with the City.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 9 – Post Employment Benefits Other Than Pensions (Continued)**

**A. Plan Description (Continued)**

<b>Group</b>	<b>Hired prior to:</b>
Executive Management	July 1, 1994
Mid-Management	July 1, 1994
Fire Mid-Management	December 6, 1995
Police Mid-Management	July 1, 1994
General Services	July 1, 1995
IBEW	July 1, 1995
Maintenance and Operators	July 1, 1995
Dispatchers	July 9, 1994
Police	October 10, 1994
Fire	December 6, 1995

**B. Eligibility**

Employees of the City are eligible for retiree health benefits if they retire from the City and commence pension benefits under PERS (typically on or after age 50 with at least five years of PERS eligible service). Membership in the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation.

<b><u>Eligibility</u></b>	<b><u>Plan</u></b>
Active plan members	283
Inactive plan members entitled to, but not yet receiving benefits	194
Retirees electing coverage	93
Retirees	7
Total	<u>577</u>

**C. Funding Policy**

Contribution requirements of the Retiree Health Plan are based on pay-as-you-go financing. The City's policy is to fund the normal cost (current accrual for benefits being earned) plus an amortization of the net (unfunded accrued) OPEB liability. For fiscal year 2018-19, the City contributed \$1,862,969.

**D. Net OPEB Liability**

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Actuarial accrued liability (AAL)	\$ 34,566,187
Actuarial value of plan assets	<u>1,144,166</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 33,422,021</u>

**E. Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial purposes are

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 9 – Post Employment Benefits Other Than Pensions (Continued)**

**E. Actuarial Methods and Assumptions (Continued)**

based on the substantive plan (the plan as understood by the employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The actuarial methods and the assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**F. Actuarial Valuations**

The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**Actuarial Methods and Assumptions Used to Determine Total OPEB Liability**

Valuation date: June 30, 2017	Measurement date: June 30, 2018
Actuarial Cost Method	Entry Age Normal level percent of pay cost method
Actuarial Assumptions:	
Discount Rate	3.66%
Inflation	2.75%
Wage Inflation	3.00%
Expected Rate of Return	6.73% per annum. This discount rate assumes the City continues to fully fund for its retiree benefits through the California Employers' Retiree Benefit Trust (CERBT) under its investment strategy 1 of 7.28% with an additional margin for adverse deviation.
Healthcare Trend Rate	An annual healthcare cost trend rate of 6.8% initially reduced by decrements to an ultimate of 4.40% therefore.

**G. Discount Rate**

The discount rate used to measure the net OPEB liability was 3.60%. This discount rate assumes the City continues to fully fund for its retiree health benefits through the "California Employers Retiree Benefit Trust" (CERBT) under its investment allocation strategy 2. The rate reflects the OPEB published median interest rate for strategy 1 of 7.59% with an additional margin for adverse deviation.

The table below reflects 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return<sup>1</sup></u>
Global equity	57.00%	4.82%
Fixed income	27.00%	1.47%
TIPS	5.00%	1.29%
Commodities	3.00%	0.84%
Real estate	8.00%	3.76%

1 - Long term expected rate of return in 6.73%

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 9 – Post Employment Benefits Other Than Pensions (Continued)**

**G. Discount Rate (Continued)**

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 1-percentage point lower (2.66%) or 1-percentage point higher (4.66%) than the current discount rate:

	<u>Plan's Net OPEB Liability/(Asset)</u>	
<u>Discount Rate - 1%</u> <u>(2.66%)</u>	<u>Current Discount</u> <u>Rate (3.66%)</u>	<u>Discount Rate + 1%</u> <u>(4.66%)</u>
\$ 37,208,508	\$ 33,422,021	\$ 30,218,615

**H. Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rate**

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates 1-percentage point lower (5.0%HMO/5.5%PPO decreasing to 4.0%HMO/4.5%PPO) or 1-percentage point higher (7.0%HMO/6.5%PPO decreasing to 6.0%HMO/6.5%PPO) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
HMO	4.00%	5.00%	6.00%
PPO	4.50%	5.50%	6.50%
City Plan	\$ 29,760,503	33,422,021	37,826,184

**I. OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB**

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,553,080 for the City Plan. At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Contributions subsequent to measurement date	\$ 1,862,969	\$ -
Change of assumptions	-	1,987,042
Difference between expected and actual experience	-	19,920
	<u>\$ 1,862,969</u>	<u>\$ 2,006,962</u>

The \$1,862,969 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	<u>Measurement Period</u> <u>Ended June 30</u>
2020	\$ (392,361)
2021	(392,361)
2022	(392,359)
2023	(384,147)
2024	(385,327)
Thereafter	(60,407)
	<u>\$ (2,006,962)</u>

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 9 – Post Employment Benefits Other Than Pensions (Continued)**

**J. Change in Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017	\$ 34,354,842	\$ 1,079,480	\$ 33,275,362
Changes Recognized for the Measurement Period:			
Service Cost	1,042,935	-	1,042,935
Interest on the total OPEB liability	1,240,787	-	1,240,787
Changes of assumptions	(209,408)	-	(209,408)
Employer contributions	-	1,862,969	(1,862,969)
Net investment income	-	66,683	(66,683)
Benefit payments, including refunds of member contributions	(1,862,969)	(1,862,969)	-
Administrative expenses	-	(1,997)	1,997
Net Changes during July 1, 2017 to June 30, 2018	211,345	64,686	146,659
Balance at June 30, 2018 (Measurement Date)	\$ 34,566,187	\$ 1,144,166	\$ 33,422,021

**Note 10 – Claims and Benefits**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured as discussed in the following paragraphs for which liabilities are recorded in the Internal Service Fund-Insurance Fund.

The City is self-insured for general liability up to the first \$500,000 per occurrence with claims from \$500,000 to \$40,000,000 per occurrence and in the aggregate insured through the California Joint Powers Risk Management Authority. The City has not had any settlements that exceeded its general liability insurance coverage (See Note 12).

The City is self-insured for workers' compensation up to the first \$250,000 per claim. Any claims of \$250,000 up to California statutory limits are covered under a purchased policy through the membership with the Local Agency Workers' Compensation Excess Joint Powers Authority with coverage up to \$300,000,000 in the current year. The City has not had any settlements that exceeded its workers' compensation insurance coverage (See Note 12).

The City is fully self-insured for dental and unemployment for its employees.

General liability and workers' compensation claims are administered by an outside agency and all other claims are administered by the City. The City has accrued a liability of \$8,065,374 at June 30, 2019, for all self-insured claims in the Internal Service Fund-Insurance Funds that includes an amount for incurred but not reported claims. The liability amount is based on the requirements of GASB Statement No. 62, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In the opinion of the City, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 10 – Claims and Benefits (Continued)**

Changes in the self-insurance liability for the years ended June 30, 2019, 2018, and 2017 are as follows:

	FY18-19	FY17-18	FY16-17
Beginning Balance	\$ 7,994,536	\$ 8,842,398	\$ 8,480,942
Current Year Claims & Changes In Estimates	2,042,840	1,121,320	2,365,077
Claim Payments	(1,972,002)	(1,969,182)	(2,003,621)
Ending Balance	<u>\$ 8,065,374</u>	<u>\$ 7,994,536</u>	<u>\$ 8,842,398</u>

**Note 11 – Participation in Joint Ventures**

**Northern California Power Agency**

The City, along with fifteen other public agencies, is a member of the Northern California Power Agency (NCPA) that was formed in 1968 as a joint powers agency. Its membership consists of twelve cities with publicly owned electric utility distribution systems, one port authority, a transit authority, one public utility district and one associate member. NCPA is generally empowered to purchase, generate, transmit, distribute and sell electrical energy. Members participate in the projects of NCPA on an elective basis. A commission comprising of one representative from each member organization governs NCPA. The commission is responsible for the general management of the affairs, property, and business of NCPA. Under the direction of the General Manager, the staff of NCPA is responsible for providing various administrative, operating and planning services for NCPA, its associated power corporations and its members.

NCPA's project construction and development programs have been individually financed by project revenue bonds collateralized by NCPA's assignment of all payments, revenues and proceeds associated with its interest in each project. Each Project Participant has agreed to pay its proportionate share of debt service and other costs of the related project, notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason. Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

**Project Financing and Construction**

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

General Operating Reserve with NCPA

Members of NCPA established a general operating reserve in 1992 for the purposes of providing a vehicle to fund reasonably foreseeable contingent liabilities. It was set up primarily to provide the following advantages: minimizes the number and dollar amount of reserve that might otherwise be funded separately in connection with NCPA's individually financed operating plants, projects and programs; and provides each member with flexibility and unilateral control over the determination of what they will fund, how they will fund it and what expenditures from the reserve will be made on their individual behalf. It provides funding for contingent liabilities that are not budgeted but that may require significant future expenditures. The reserve is segregated by participant and is refundable on demand by the participant.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 11 – Participation in Joint Ventures (Continued)**

**Project Financing and Construction (Continued)**

As of June 30, 2019, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is \$10,900,902.

Project Participation

The NCPA members and their percentage share at June 30, 2019, which is the most recent available data, are as follows:

<b>NCPA MEMBERS</b>	<b>Geothermal Project</b>	<b>Hydro Electric Project</b>	<b>Combustion Turbine Project #1</b>	<b>Multiple Capital Facilities</b>	<b>Transmission Project</b>	<b>Lodi Energy Center</b>
Alameda	16.88%	10.00%	21.82%	19.00%	30.78%	0.00%
Bay Area Rapid Transit	-	-	-	-	-	6.60
Biggs	0.23	-	0.20	-	0.34	0.27
Gridley	0.34	-	0.35	-	0.62	1.96
Healdsburg	3.67	1.66	5.83	-	6.69	1.64
Lodi	10.28	10.37	13.39	39.50	20.61	9.50
Lompoc	3.68	2.30	5.83	5.00	6.71	2.04
Palo Alto	-	22.92	-	-	-	-
Plumas-Sierra Rural Electric Coop	0.70	1.69	1.82	-	1.31	0.79
Roseville	7.88	12.00	-	36.50	13.08	-
Santa Clara	44.39	37.02	41.67	-	-	25.75
Ukiah	5.61	2.04	9.09	-	10.23	1.79
<b>OTHER PARTICIPANTS</b>						
Azusa	-	-	-	-	-	2.79
California Department of Water Resources	-	-	-	-	-	33.50
Modesto Irrigation District	-	-	-	-	-	10.71
Power & Water Resources Pooling Agency	-	-	-	-	-	2.67
Turlock Irrigation District	6.33	-	-	-	9.61	-

Bulk power purchased by the City through NCPA amounted to \$37,055,515 during the year ended June 30, 2019 and is reflected in utilities expense in the Electric Enterprise Fund.

NCPA Geothermal Project

In addition to federal geothermal leasehold, steam wells, gathering system and related facilities, the project consists of two electric generating stations (Plant 1 and Plant 2). With combined 165 MW turbine generator units utilizing low temperature geothermal steam; associated electrical, mechanical and control facilities; a heat dissipation system; a steam gathering system; a transmission tap line; and, other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes well pads, access roads, steam wells and re-injection wells.

Under a power purchase agreement with NCPA, the City is obligated to pay 10.28% of the operating and debt service costs. Outstanding long-term debt related to this project was approximately \$25 million at June 30, 2019.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 11 – Participation in Joint Ventures (Continued)**

**Project Financing and Construction (Continued)**

Calaveras Hydroelectric Project

NCPA contracted to finance, manage, construct and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, NCPA has the right to the electric output of the project for 50 years from February 1982. NCPA has also the option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval.

Under a power purchase agreement, the City is obligated to pay 10.37% of the operating costs and approximately 10.63% of the debt service. At June 30, 2019, approximately \$278 million in long-term debt used to finance this project was outstanding.

NCPA Combustion Turbine Project #1

The original project consisted of five combustion turbine units; each nominally rated at 25 MW. Concurrent with the final project bond maturity, two units located in Roseville were acquired by an NCPA member. The remaining project consists of two units in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time.

Under the NCPA power agreement, the City is obligated to pay 13.393% of the debt service and operating costs. At June 30, 2019, there was no outstanding long-term debt related to this project.

Capital Facilities Project

The Project consists of one 49.9 MW natural gas-fired steam injected combustion turbine generator unit located in Lodi, California. Wastewater is reclaimed from the City of Lodi's White Slough water pollution control facility, processed to eliminate contaminants, and used in the turbine to produce steam for power enhancement and emissions control.

Under a power purchase agreement with NCPA, the City is obligated to pay 39.5% of the operating and debt service costs. Outstanding long-term debt related to this project was approximately \$30 million at June 30, 2019.

Transmission Project

The project was undertaken to meet certain obligations of NCPA under the NCPA/PG&E Interconnection Agreement. The project includes co-tenancy interest in PG&E's 230 kV Castle Rock to Lakeville Substation Transmission Line in Sonoma County, additional firm transmission rights in that transmission line and a central dispatch facility. The City is obligated to pay 20.6077% of the operating and debt service costs. At June 30, 2019 there was no outstanding long-term debt related to this project.

Lodi Energy Center

The Lodi Energy Center project is a 304 MW natural gas-fired, combined-cycle power generation plant located in Lodi on City property. Pursuant to a power sales agreement, NCPA owns and operates the project, selling the capacity and energy to various project participants, including both members and non-members of NCPA. This project is located next to the Capital Facilities Projects listed above.

The City is obligated to pay 17.03% of the debt service and 9.5% of operating costs. At June 30, 2019, approximately \$221 million in long-term debt was outstanding.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 11 – Participation in Joint Ventures (Continued)**

**Audited Statements**

The following are the most recent available audited condensed financial statements of NCPA:

At June 30, 2019, NCPA's total net outstanding long-term debt was \$680,613,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2019, was \$33,340,000.

Complete financial information for NCPA may be obtained at the following administration office:

Northern California Power Agency  
651 Commerce Drive  
Roseville, CA 95678-6411

**Condensed Statement of Net Position**  
**June 30, 2019**  
**(in thousands)**

<b>Assets and Deferred Outflows of Resources</b>	
Current assets	\$ 99,363
Restricted assets	213,312
Electric plant, net	502,479
Other assets	224,403
Total assets	1,039,557
Deferred outflows of resources	112,427
Total assets and deferred outflows of resources	\$ 1,151,984
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>	
<b>Long-term debt, net</b>	<b>\$ 647,273</b>
Current liabilities	103,344
Non-current liabilities	272,445
Deferred inflows of resources	90,456
Net position	
Net investment in capital assets	(45,572)
Restricted	49,243
Unrestricted	34,705
Total liabilities, deferred inflows of resources and net position	\$ 1,151,894

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 11 – Participation in Joint Ventures (Continued)**

**Audited Statements (Continued)**

**Condensed Statement of Revenues, Expenses  
and Changes in Net Position  
Year ended June 30, 2019  
(in thousands)**

Sales for resale	\$	699,166
Operating expenses		(656,115)
Other expenses		(20,774)
Future recoverable costs		(7,791)
Net revenues before refunds		14,486
Refunds to participants		(14,178)
Increase in net position		308
Net position, beginning of year		38,068
Net position, end of year	\$	38,376

**Combined Statement of Cash Flows  
Year ended June 30, 2019  
(in thousands)**

Net cash from operating activities	\$	89,879
Net from investing activities		458
Net cash from capital and related financing activities		(86,746)
Net cash from noncapital and related financing activities		(6,525)
Increase in cash and cash equivalents		(2,934)
Cash and cash equivalents, beginning of year		103,996
Cash and cash equivalents end of year	\$	101,062

**Transmission Agency of Northern California**

The City of Lodi is a member of the Transmission Agency of Northern California (TANC), a California Joint Powers Agency formed in the early 1980's to build the California Oregon Transmission Project (COTP) – a transmission line connecting the Pacific Northwest with Central California.

On April 2, 2014, the Lodi City Council approved a 25-year layoff of the City's share of the COTP transfer capability, effective July 1, 2014, whereby the City and all of the TANC members who are in the CAISO Balancing Authority lay off their interests to certain other COTP participants. In exchange, these entities pay the City's allocated share of COTP costs. This layoff arrangement does not change Lodi's membership status in TANC and does not relieve the City of its obligations under the TANC Agreement in the event of any default in payment by an acquiring party.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 11 – Participation in Joint Ventures (Continued)**

**Transmission Agency of Northern California (Continued)**

TANC and certain TANC members have arranged for Pacific Gas & Electric (PG&E) to provide TANC and its members with 300 MW of firm bi-directional transmission capacity on its transmission system between its Midway Substation near Buttonwillow, CA and its Tesla Substation near Tracy, CA, near the southern terminus of the COTP under an agreement known as the South of Tesla (SOT) Principles. The City has utilized its full allocation of Tesla-Midway Transmission Service for power transactions in the past. The City is responsible for 2.07% of TANC's SOT debt service which as of June 30, 2019 had an outstanding balance of approximately \$2.6 million.

Complete financial information for TANC may be obtained at the following administration office:

Transmission Agency of Northern California  
35 Iron Point Circle, Suite 225  
Folsom, CA 95630

**Note 12 – Membership in Insurance Pools**

**California Joint Powers Risk Management Authority**

The City is a member, along with sixteen other individual cities and four joint powers authorities, of California Joint Powers Risk Management Authority (CJPRMA) organized under a Joint Powers Agreement pursuant to the California Government Code for the purpose of sharing the risk of catastrophic general liability, automobile liability and public officials' errors and omissions losses. CJPRMA has a twenty-one member Board of Directors, including a director from the City of Lodi. The Board members elect officers of CJPRMA every two years.

The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience and will be determined through an actuarial analysis of loss history during the ten-year period preceding the three years prior to the end of the current program year. The City periodically pays premiums to the CJPRMA. These premiums are recorded as expenses in the year paid, as they are a reasonable estimate of the actual cost of the program. During the year ended June 30, 2019, premiums of \$223,568 were paid to CJPRMA for the liability program.

The participants at June 30, 2019, are as follows: Alameda, Chico, Fairfield, Fremont, Livermore, Lodi, Northern California Cities Self Insurance Fund, Petaluma, Redding, Redwood Empire Municipal Insurance Fund, Richmond, Roseville, San Leandro, San Rafael, Santa Rosa, Small Cities Organized Risk Effort, Stockton, Sunnyvale, Vacaville, Vallejo, and Yolo County Public Agencies Risk Management Insurance Authority.

Complete financial information for CJPRMA may be obtained at the following administration office:

California Joint Powers Risk Management Authority  
3252 Constitution Dr.  
Livermore, CA 94551

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 12 – Membership in Insurance Pools (Continued)**

**Local Agency Workers' Compensation Excess Joint Powers Authority**

The City, along with thirty-three other public agencies, is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which was formed July 1992, for the purpose of sharing the risk of workers' compensation losses. LAWCX offers \$150,000, \$250,000, \$350,000, \$500,000 and \$1 million self-insured retentions (SIR) or a member can attach directly to the purchased excess insurance. LAWCX covers the layer above the member SIR up to \$5 million. The City's self-insured retention is \$250,000. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) to obtain coverage up to statutory limits. The City paid \$495,382 in premiums to LAWCX during the year ended June 30, 2019.

The participants at June 30, 2019, are as follows: City of Alameda, Association of Bay Area Governments Shared Risk Pool (ABAG SHARP), Bay Cities Joint Powers Insurance Authority (BCJPIA), City of Benicia, Central Contra Costa County Transit Agency (CCCTA), California Housing Workers' Compensation Authority (CHWCA), Central San Joaquin Valley Risk Management Authority (CSJVRMA), City of Clovis, City of Coronado, City of Encinitas, Fire Agencies Self Insurance System (FASIS), City of Gilroy, City of Livermore, City of Lodi, Town of Los Gatos, City of Merced, Monterey County Local Agencies Insurance Authority (MCLAIA), City of Morgan Hill, City of Newark, City of Placentia, City of Pleasanton, Public Agency Risk Sharing Authority of California (PARSAC), City of Roseville, Public Entity Risk Management Authority (PERMA), City of San Leandro, City of Santa Maria, City of Santee, Small Cities Organized Risk Effort (SCORE), City of South Lake Tahoe, City of Suisun City, City of Vacaville, City of Vallejo, Vector Control Joint Powers Agency (VCJPA) and City of Vista.

Complete financial information for LAWCX may be obtained at the following administration office:

Local Agency Workers' Compensation Excess Joint Powers Authority  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, California 95833

**California Transit Insurance Pool**

The City, along with thirty-three other public agencies is a member of the California Transit Insurance Pool (Cal TIP), a joint powers insurance authority which was formed for the purpose of sharing the risk of property damage, bodily injury, personal injury and public officials errors and omissions losses for public transit systems.

Liability protection coverage is provided under two programs:

Program I applies to members who choose to utilize Cal Tip's claims administrator services.

Program II applies to members with self-insured retentions who choose to provide their own claims administrator services.

Cal TIP purchases excess insurance over its \$1,000,000 retention up to \$20 million per occurrence. Each member is provided with \$4 million in excess of the pooled retention for a total of \$5 million in coverage and has the option to choose one or both of two additional layers for the full \$20 million.

Cal TIP also provides physical damage coverage to its members. This coverage program is optional for all members and offers damage or loss protection for transit, staff and maintenance vehicles to transit operators. Cal TIP self-insures up to \$100,000, under which members have the option of five levels of deductible ranging from \$500 to \$10,000 per vehicle. Claims are administered by the Cal Tip's adjuster.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 12 – Membership in Insurance Pools (Continued)**

**California Transit Insurance Pool (Continued)**

The City paid \$134,249 in premiums to Cal TIP during the year ended June 30, 2019. There have been no reductions in insurance coverage from the prior year and there were no insurance settlements in excess of insurance coverage in any of the last three years.

	Program	Self-Insured Retention	Limit (in millions)	Physical Damage
City of Lodi Transit System	I	Prefunded	20	Yes

Complete financial information for Cal Tip may be obtained at the following administration office:

California Transit Insurance Pool  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, California 95833

**Note 13 – Deficit in Net Position**

The City has a deficit net position in its governmental activities in the amount of (\$115,042,563) which is primarily attributable to the net pension and OPEB obligations outstanding as of June 30, 2019.

A deficit in net position in the amount of (\$1,370,909) in the ISF Fleet Services Fund at June 30, 2019, is attributed to the increase in personnel expenses. The City will evaluate the rates charged to departments to eliminate the deficit during the budget process.

A deficit in net position in the amount of (\$39,755,786) in the ISF Benefits Fund at June 30, 2019, is attributed to the OPEB Liability as required by GASB 75.

**Note 14 – Pollution Remediation Obligation**

The City relies on groundwater for its drinking water and in the late 1980's, Perchloroethylene (PCE) and Trichloroethylene (TCE) pollution was discovered in several municipal water supply wells. Investigations conducted by the California Regional Water Quality Control Board (RWQCB) in the early 1990's under the Well Investigation program revealed numerous areas where TCE was discharged, or where PCE from dry cleaning operations was discharged to the sewer system. In 1997, the Department of Toxic Substances Control (DTSC) and the City entered into a cooperative agreement whereby the City assumed a lead role in the cleanup and agreed to pursue legal action against potentially responsible parties (PRPs). The City's estimate of the pollution remediation obligation was \$70 million. The City has settled with all the involved parties.

The City received a draft cleanup and abatement order to investigate the discharges of waste, clean up the waste and abate the effects of the discharges of waste in conformance with the State Water Resources Control Board's (SWRCB) Resolution No. 92-49 Policies and Procedures for Investigation and Cleanup and Abatement of Discharges Under the Water Code Section 13304 and with the RWQCB's Water Quality Control Plan for the Sacramento River and San Joaquin River. The City then engaged the services of Treadwell and Rollo to advise the City on courses of action in the preparation of feasibility studies, remedial design, and remedial action plan to comply with the technical and reporting requirements of the SWRCB. The City's estimated total pollution remediation obligation as of June 30, 2019, is \$16,589,754. This amount is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 15 – Commitments and Contingencies**

**Litigation and claims** – The City from time to time is a party to various claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of the City’s administration, the various claims, legal actions, and complaints resulting from such litigation not covered by the City’s self-insurance program (see Note 12) would not materially affect the financial position of the City.

**Water Purchase Agreement with Woodbridge Irrigation District** – The City obtains its municipal water supply from wells located within the City, extracting water from the underground aquifer, which is replenished in part by flows of the Mokelumne River. To avoid being wholly dependent upon wells and the possible impacts of eventual overdraft of the groundwater supply, the City made a commitment in 2003 to purchase surface water supply from Woodbridge Irrigation District for an initial term of 40 years. The agreement provides for the purchase of 6,000 acre feet per year and the City pays the District \$1.2 million annually. The initial term of the agreement was for 40 years. In January 2008, the District and the City of Lodi amended the 2003 water sale contract to, among other matters, extend that agreement for four years to October 2047.

**Arbitrage Earnings Rebate Liability** – Arbitrage earnings are defined as income earned on the unexpended tax-exempt certificate proceeds in excess of that which would have been earned had the moneys been invested in securities with a yield of the effective rate of the certificates. Currently, arbitrage earnings must be rebated to the United States Treasury every five years. There is no cumulative arbitrage liability as of June 30, 2019, for any of the City’s outstanding Certificates of Participation and Revenue Bonds.

**Construction and Other Significant Commitments** – Commitments are existing arrangements to enter into future transactions or events, such construction contracts for ongoing projects and long-term contractual obligations with suppliers for future purchases at specified prices and sometimes specified quantities. Significant commitments as of June 30, 2019 are as follows:

<b>Governmental Activities:</b>		<b>Business-type Activities:</b>	
General Fund	\$ 186,784	Electric Fund	\$ 186,819
Other governmental funds	3,644,880	Wastewater Fund	1,639,232
		Water Fund	1,069,398
		Transit Fund	1,244,060
Total governmental activities	\$ 3,831,664	Total business-type activities	\$ 4,139,509

**Note 16 – Prior Period Adjustments**

**Restatement of Fund Balance**

	<b>Net Position</b>				
	Electric	Wastewater	Water	Non-major Transit	Business-type Activities
Net Position July 1, 2018	\$ 14,693,993	\$ 59,242,325	\$ 67,948,515	\$ 20,010,270	\$ 161,895,103
Prior Period Adjustments:					
GASB 68	690,205	469,083	47,804	34,106	
Capital assets	2,056,860	171,680	741,477	398,669	
Total Prior Period Adjustments	2,747,065	640,763	789,281	432,775	4,609,884
July 1, 2018, as restated	\$ 17,441,058	\$ 59,883,088	\$ 68,737,796	\$ 20,443,045	\$ 166,504,987

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

**Note 16 – Prior Period Adjustments (Continued)**

Business-type Activities

*GASB 68*

In the process of recording the GASB 68 deferred outflows related to Pensions, the City recorded a prior period adjustment to the beginning net position of the Water, Wastewater, Non-major Transit fund and the Fleet Internal Service Fund. The prior period adjustment was necessary to correctly book the deferred outflows and pension expense related to the City paying the Unfunded Accrued Liability contribution amounts in fiscal year 2018.

Business-type Activities (continued)

*Capital assets*

In the process of recording the current year capital assets, the City recorded prior period adjustments to the beginning net position of the Electric, Water, Wastewater and Non-major Transit funds. During the analysis of the information provided by the departments for their capital assets, it was determined that certain capital improvement projects and certain machinery and equipment was either completed or placed into service in prior years and not yet capitalized or was not properly valued utilizing a current replacement or actual cost. An adjustment to capital assets was booked to correctly report the value of completed projects, placing the machinery and equipment in service and valuing the replacement of underground utility lines.

	Net Position			
	Fleet Internal Service Fund	Benefits Internal Service Fund	Insurance Internal Service Fund	Total Internal Service Funds
Net Position July 1, 2018	\$ (1,370,125)	\$ (31,955,868)	\$ 5,722,710	\$ (27,603,283)
Prior Period Adjustments				
GASB 68	74,081	-	-	
GASB 16	-	(8,474,218)	-	
Total Prior Period Adjustments	74,081	(8,474,218)	-	(8,400,137)
July 1, 2018, as restated	\$ (1,296,044)	\$ (40,430,086)	\$ 5,722,710	\$ (36,003,420)

	Net Position
	Governmental Activities
Net Position July 1, 2018	\$ 27,591,421
Prior Period Adjustments	
GASB 68	74,081
GASB 16	(8,474,218)
July 1, 2018, as restated	\$ 19,191,284

Governmental Activities

*GASB 68*

As required by GASB Statement 34, the Internal Service Funds are to be reported both at the fund level and in the government-wide statements. The prior period adjustment for the Benefits Internal Service Fund to restate the accrued compensated absences balances for the sick leave conversion bank, and the adjustment for the GASB 68 expense in the Fleet Internal Service Fund were also reported at the government-wide statements.

**CITY OF LODI**  
**Notes to Basic Financial Statements (continued)**  
**June 30, 2019**

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**Note 16 – Prior Period Adjustments (Continued)**

Governmental Activities (Continued)

*GASB16*

During the implementation of GASB 75, entries were made to correctly state the new balances of the accrued liability for the City's sick leave conversion balances. During a review of the current actuarial report, it was determined the City has two sick leave conversion programs: sick leave conversion and sick leave conversion bank. The sick leave conversion was correctly reported under the GASB 75 requirements. The sick leave conversion bank program required a prior period adjustment to recognize the liability balances to be used for future conversions. The City recorded a prior period adjustment to the Benefits Internal Service Fund to reinstate the sick leave conversion bank program balances in accrued compensated absences under GASB 16.

**Note 17 – Subsequent Events**

On December 31, 2018, the employment contract, Memorandum of Understanding's (MOU), between the City of Lodi and the International Brotherhood of Electrical Workers (IBEW) expired. The City entered into a successor MOU with IBEW on August 21, 2019, containing significant increases to compensation that should allow the City to better attract and retain these critical employees. The new contract runs from January 1, 2019 through December 31, 2021.

On June 30, 2019, the MOUs between the City and the Police Officers Association of Lodi (POAL), Lodi Police Mid-Management Association (LPMMA), and Lodi Police Dispatch Association (LPDA), expired. The City has since entered into a successor MOU with all three groups. MOU with POAL and LPMMA were approved on July 17, 2019, and MOU with LPDA was approved on August 21, 2019, containing significant increases to compensation for all three groups.

These MOU should allow the City to better attract and retain critical safety employees in the community. The new contracts run from July 1, 2019, through June 30, 2022. Given the substantial increases to compensation, General Fund Reserves will likely be need to finance some of the contract over the next three-year period.

On December 31, 2019, MOU between the City and the Associated Federation of City and County Municipal Employees (AFSCME) General Services and Maintenance and Operators, Lodi City Mid-Management Association, and Lodi Professional Firefighters, will expire. The City has begun negotiations with these employee groups on successor MOU.

On June 1, 2020, the Lodi Public Finance Authority's outstanding 2010 Water Revenue Bond, Series B, (Taxable Build America Bonds) will become eligible for optional redemption. Based on current market analysis, interest rates are favorable to achieve significant savings through a refinancing of the outstanding principal. The City is engaged with Fieldman, Rolapp & Associates as Municipal Advisor to manage the refinancing process with an anticipated closing date within 90 days of the optional redemption date.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF LODI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**MISCELLANEOUS PLAN**

Measurement Period	2017-18 <sup>(1)</sup>	2016-17 <sup>(1)</sup>
<b>Total Pension Liability</b>		
Service Cost	\$ 3,020,122	\$ 2,862,495
Interest	13,374,883	12,923,048
Changes of Benefit Terms	47,853	-
Differences Between Expected and Actual Experience	830,292	(398,276)
Changes of Assumptions	(950,894)	10,541,016
Benefit Payments, Including Refunds of Employee		
Benefit Payments, Including Refunds of Employee Contributions	(9,814,728)	(9,129,724)
Net Change in Total Pension Liability	6,507,528	16,798,559
Total Pension Liability - Beginning	190,531,368	173,732,809
Total Pension Liability - Ending (a)	197,038,896	190,531,368
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	4,208,873	3,950,727
Contributions - Employee	1,364,684	1,341,146
Net Investment Income <sup>(2)</sup>	11,191,848	13,581,013
Benefit Payments, Including Refunds of Employee Contributions	(9,814,728)	(9,129,724)
Other Changes in Fiduciary Net Position	(206,493)	(181,224)
Other Miscellaneous Income/(Expense) <sup>(3)</sup>	(391,520)	-
Net Change in Fiduciary Net Position	6,352,664	9,561,938
Plan Fiduciary Net Position - Beginning	132,306,298	122,744,360
Plan Fiduciary Net Position - Ending (b)	138,658,962	132,306,298
Plan Net Pension Liability - Ending (a) - (b)	\$ 58,379,934	\$ 58,225,070
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		
	70.37%	69.44%
Covered Payroll	\$ 18,995,671	\$ 17,970,339
Plan Net Pension Liability as a Percentage of Covered Payroll		
	307.33%	324.01%

**Notes to Schedule:**

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Net of administrative expenses.

<sup>(3)</sup> During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Information in this schedule is not available prior to fiscal year 2013-14 measurement period. Additional years will be added to this schedule until 10 years of data is presented.

**CITY OF LODI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**MISCELLANEOUS PLAN (Continued)**

Measurement Period	2015-16 <sup>(1)</sup>	2014-15 <sup>(1)</sup>	2013-14 <sup>(1)</sup>
<b>Total Pension Liability</b>			
Service Cost	\$ 2,464,894	\$ 2,358,112	\$ 2,478,901
Interest	12,565,553	12,061,399	11,705,179
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	542,177	(1,655,012)	-
Changes of Assumptions	-	(2,903,507)	-
Benefit Payments, Including Refunds of Employee			
Benefit Payments, Including Refunds of Employee Contributions	<u>(8,641,550)</u>	<u>(8,208,103)</u>	<u>(7,729,680)</u>
Net Change in Total Pension Liability	6,931,074	1,652,889	6,454,400
Total Pension Liability - Beginning	<u>166,801,735</u>	<u>165,148,846</u>	<u>158,694,446</u>
Total Pension Liability - Ending (a)	<u>173,732,809</u>	<u>166,801,735</u>	<u>165,148,846</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	3,500,179	2,994,958	2,694,850
Contributions - Employee	1,241,136	1,183,452	1,237,916
Net Investment Income <sup>(2)</sup>	643,509	2,829,910	19,249,151
Benefit Payments, Including Refunds of Employee Contributions	(8,641,550)	(8,208,103)	(7,729,680)
Other Changes in Fiduciary Net Position	(76,838)	(145,538)	-
Other Miscellaneous Income/(Expense) <sup>(3)</sup>	-	-	-
Net Change in Fiduciary Net Position	<u>(3,333,564)</u>	<u>(1,345,321)</u>	<u>15,452,237</u>
Plan Fiduciary Net Position - Beginning	<u>126,077,924</u>	<u>127,423,245</u>	<u>111,971,008</u>
Plan Fiduciary Net Position - Ending (b)	<u>122,744,360</u>	<u>126,077,924</u>	<u>127,423,245</u>
Plan Net Pension Liability - Ending (a) - (b)	<u>\$ 50,988,449</u>	<u>\$ 40,723,811</u>	<u>\$ 37,725,601</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	75.59%	77.16%
Covered Payroll	\$ 17,423,446	\$ 16,572,579	\$ 16,669,363
Plan Net Pension Liability as a Percentage of Covered Payroll	292.64%	245.73%	226.32%

**Notes to Schedule:**

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Net of administrative expenses.

<sup>(3)</sup> During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Information in this schedule is not available prior to fiscal year 2013-14 measurement period. Additional years will be added to this schedule until 10 years of data is presented.

**CITY OF LODI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**SAFETY PLAN**

Measurement Period	2017-18 <sup>(1)</sup>	2016-17 <sup>(1)</sup>
<b>Total Pension Liability</b>		
Service Cost	3,385,583	3,336,917
Interest	13,288,494	12,869,943
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(122,816)	1,123,761
Changes of Assumptions	(681,450)	10,945,791
Benefit Payments, Including Refunds of Employee		
Benefit Payments, Including Refunds of Employee Contributions	(9,712,985)	(9,433,148)
Net Change in Total Pension Liability	6,156,826	18,843,264
Total Pension Liability - Beginning	189,821,025	170,977,761
Total Pension Liability - Ending (a)	195,977,851	189,821,025
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	5,549,746	5,220,306
Contributions - Employee	1,079,094	1,095,689
Net Investment Income <sup>(2)</sup>	9,544,033	11,443,777
Benefit Payments, Including Refunds of Employee Contributions	(9,712,985)	(9,433,148)
Other Changes in Fiduciary Net Position	(174,988)	(153,469)
Other Miscellaneous Income/(Expense) <sup>(3)</sup>	(331,781)	-
Net Change in Fiduciary Net Position	5,953,119	8,173,155
Plan Fiduciary Net Position - Beginning	112,118,815	103,945,660
Plan Fiduciary Net Position - Ending (b)	118,071,934	112,118,815
Plan Net Pension Liability - Ending (a) - (b)	\$ 77,905,917	\$ 77,702,210
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.25%	59.07%
Covered Payroll	\$ 11,886,327	\$ 11,518,923
Plan Net Pension Liability as a Percentage of Covered Payroll	655.42%	674.56%

**Notes to Schedule:**

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Net of administrative expenses.

<sup>(3)</sup> During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Information in this schedule is not available prior to fiscal year 2013-14 measurement period. Additional years will be added to this schedule until 10 years of data is presented.

**CITY OF LODI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**SAFETY PLAN (Continued)**

Measurement Period	2015-16 <sup>(1)</sup>	2014-15 <sup>(1)</sup>	2013-14 <sup>(1)</sup>
<b>Total Pension Liability</b>			
Service Cost	\$ 2,890,607	\$ 2,968,819	\$ 3,048,048
Interest	12,357,788	11,827,918	11,390,793
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	600,847	(932,918)	-
Changes of Assumptions	-	(2,939,033)	-
Benefit Payments, Including Refunds of Employee			
Benefit Payments, Including Refunds of Employee Contributions	(8,730,081)	(8,134,067)	(7,448,361)
Net Change in Total Pension Liability	7,119,161	2,790,719	6,990,480
Total Pension Liability - Beginning	163,858,600	161,067,881	154,077,401
Total Pension Liability - Ending (a)	170,977,761	163,858,600	161,067,881
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	4,660,278	4,176,197	4,106,044
Contributions - Employee	1,062,984	1,007,876	1,058,376
Net Investment Income <sup>(2)</sup>	558,434	2,397,191	16,070,261
Benefit Payments, Including Refunds of Employee Contributions	(8,730,081)	(8,134,067)	(7,448,361)
Other Changes in Fiduciary Net Position	(64,882)	(119,971)	-
Other Miscellaneous Income/(Expense) <sup>(3)</sup>	-	-	-
Net Change in Fiduciary Net Position	(2,513,267)	(672,774)	13,786,320
Plan Fiduciary Net Position - Beginning	106,458,927	107,131,701	93,345,381
Plan Fiduciary Net Position - Ending (b)	103,945,660	106,458,927	107,131,701
Plan Net Pension Liability - Ending (a) - (b)	\$ 67,032,101	\$ 57,399,673	\$ 53,936,180
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.79%	64.97%	66.51%
Covered Payroll	\$ 11,106,615	\$ 11,293,867	\$ 11,194,123
Plan Net Pension Liability as a Percentage of Covered Payroll	603.53%	508.24%	481.83%

**Notes to Schedule:**

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Net of administrative expenses.

<sup>(3)</sup> During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Information in this schedule is not available prior to fiscal year 2013-14 measurement period. Additional years will be added to this schedule until 10 years of data is presented.

**CITY OF LODI  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS**

	2018-19 <sup>(1)</sup>	2017-18 <sup>(1)</sup>	2016-17 <sup>(1)</sup>
<b>Miscellaneous Plan:</b>			
Actuarially Determined Contributions			
Contributions in Relation to the Actuarially Determined Contributions <sup>(2)</sup>	\$ 4,907,206	\$ 4,208,873	\$ 3,880,495
Contribution Deficiency	<u>(4,907,206)</u>	<u>(4,208,873)</u>	<u>(3,880,495)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll <sup>(3,4)</sup>			
	\$ 18,995,671	\$ 17,970,339	\$ 17,802,886
Contributions as a Percentage of Covered Payroll	25.83%	23.42%	21.80%
<b>Safety Plan:</b>			
Actuarially Determined Contributions			
Contributions in Relation to the Actuarially Determined Contributions <sup>(2)</sup>	\$ 6,195,073	\$ 5,549,746	\$ 5,136,610
Contribution Deficiency	<u>(6,195,073)</u>	<u>(5,549,746)</u>	<u>(5,136,610)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll <sup>(3,4)</sup>			
	\$ 11,886,327	\$ 11,518,923	\$ 11,477,432
Contributions as a Percentage of Covered Payroll	52.12%	48.18%	44.75%

**Notes to Schedule:**

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>(3)</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employers, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>(4)</sup> Payroll from prior year \$18,995,671 for miscellaneous was assumed to increase by 2.75 percent payroll growth assumption. Payroll from prior year \$11,886,327 for safety was assumed to increase by 2.75 percent payroll growth assumption.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	
Asset Valuation Method	Market value of assets.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries.

Changes of Assumptions: No changes in assumptions for fiscal year 2017-18. In fiscal year 2016-17, the probabilities of mortality were updated to include the 2014 CalPERS Experience Study through 2011, and mortality rates were changed from 5 years of projected mortality improvement using Scale AA to 20 years of projected on-going mortality improvement using Scale BB. In fiscal year 2015-16, the asset valuation method was changed to market value of assets from actuarial value of assets. No change in assumptions for fiscal year 2014-15.

**CITY OF LODI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS (Continued)**

	2015-16 <sup>(1)</sup>	2014-15 <sup>(1)</sup>	2013-14 <sup>(1)</sup>
<b>Miscellaneous Plan:</b>			
Actuarially Determined Contributions			
Contributions in Relation to the Actuarially Determined Contributions <sup>(2)</sup>	\$ 3,500,179	\$ 2,994,958	\$ 2,694,850
Contribution Deficiency	(3,500,179)	(2,994,958)	(2,694,850)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll <sup>(3, 4)</sup>	\$ 17,423,446	\$ 16,572,579	\$ 16,669,363
Contributions as a Percentage of Covered Payroll	20.09%	18.07%	16.17%
<b>Safety Plan:</b>			
Actuarially Determined Contributions			
Contributions in Relation to the Actuarially Determined Contributions <sup>(2)</sup>	\$ 4,660,278	\$ 4,176,197	\$ 4,106,044
Contribution Deficiency	(4,660,278)	(4,176,197)	(4,106,044)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll <sup>(3, 4)</sup>	\$ 11,106,615	\$ 11,293,867	\$ 11,194,123
Contributions as a Percentage of Covered Payroll	41.96%	36.98%	36.68%

**Notes to Schedule:**

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>(3)</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employers, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>(4)</sup> Payroll from prior year \$18,995,671 for miscellaneous was assumed to increase by 2.75 percent payroll growth assumption. Payroll from prior year \$11,886,327 for safety was assumed to increase by 2.75 percent payroll growth assumption.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	
Asset Valuation Method	Market value of assets.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries.

Changes of Assumptions: No changes in assumptions for fiscal year 2017-18. In fiscal year 2016-17, the probabilities of mortality were updated to include the 2014 CalPERS Experience Study through 2011, and mortality rates were changed from 5 years of projected mortality improvement using Scale AA to 20 years of projected on-going mortality improvement using Scale BB. In fiscal year 2015-16, the asset valuation method was changed to market value of assets from actuarial value of assets. No change in assumptions for fiscal year 2014-15.

**CITY OF LODI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
Last Ten Fiscal Years <sup>(1)</sup>  
For the Year Ended June 30, 2019

Measurement period, year ending:	<u>6/30/2018 <sup>(1)</sup></u>	<u>6/30/2017 <sup>(1)</sup></u>
<b>Total OPEB liability</b>		
Service cost	\$ 1,042,935	\$ 1,139,099
Interest	1,240,787	1,073,783
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(209,408)	(2,518,711)
Benefit payments, including refunds of member contributions	<u>(1,862,969)</u>	<u>(1,947,260)</u>
<b>Net change in total OPEB liability</b>	211,345	(2,253,089)
<b>Total OPEB liability - beginning</b>	<u>34,354,842</u>	<u>36,607,931</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 34,566,187</u></u>	<u><u>\$ 34,354,842</u></u>
 <b>OPEB fiduciary net position</b>		
Contributions - employer	\$ 1,862,969	\$ 2,947,260
Net investment income	66,683	79,789
Benefit payments, including refunds of member contributions	(1,862,969)	(1,947,260)
Administrative expense	<u>(1,997)</u>	<u>(309)</u>
<b>Net change in plan fiduciary net position</b>	64,686	1,079,480
 <b>Plan fiduciary net position - beginning</b>	<u>1,079,480</u>	<u>-</u>
 <b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 1,144,166</u></u>	<u><u>\$ 1,079,480</u></u>
<b>Plan net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 33,422,021</u></u>	<u><u>\$ 33,275,362</u></u>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	3.31%	3.14%
 <b>Covered-employee payroll</b>	\$ 33,204,023	\$ 35,314,645
 <b>Plan net OPEB liability as a percentage of covered-employee payroll</b>	100.66%	94.23%

**Notes to Schedule:**

<sup>(1)</sup> Information in this schedule is not available prior to FY2017-18 measurement period. Additional years will be added to this schedule until 10 years of data is presented

**CITY OF LODI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS**  
**Last Ten Fiscal Years <sup>(1)</sup>**  
**For the Year Ended June 30, 2019**

	2019	2018	2017
Actuarially determined contribution (2)	\$ -	\$ -	\$ -
Contributions in relation to the			
Actuarially determined contribution	1,862,969	2,947,260	-
Contribution deficiency (excess)	<u>\$ 1,862,969</u>	<u>\$ 2,947,260</u>	<u>\$ -</u>
Covered-employee payroll	33,204,023	34,286,063	-
Contributions as a percentage of covered-employee payroll	100.7%	97.1%	0%
Actuarially determined contribution for fiscal year	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date:	June 30, 2017	June 30, 2017	June 30, 2017
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset valuation method	Straight line 5 year period	Straight line 5 year period	Straight line 5 year period
Discount rate	3.66%	3.60%	
Inflation	2.75%	2.75%	
Payroll increases			
Mortality	Based on assumptions for PERS, Police & Fire members June 30, 2016 CalPERS actuarial valuation	Based on assumptions for PERS, Police & Fire members June 30, 2016 CalPERS actuarial valuation	Based on assumptions for PERS, Police & Fire members June 30, 2016 CalPERS actuarial valuation

**Notes to Schedule:**

<sup>(1)</sup> Information in this schedule is not available prior to FY2017-18 measurement period. Additional years will be added to this schedule until 10 years of data is presented

<sup>(2)</sup> Per GASB 75 paragraph 57c., these disclosure are only required if the employer calculates an Actuarially Determined Contribution (ADC). The City does not currently calculate an ADC.

**CITY OF LODI**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 28,387,200	\$ 28,387,200	\$ 28,422,573	\$ 35,373
Sales and use tax	12,172,600	13,153,320	14,286,516	1,133,196
Licenses and permits	101,970	101,970	65,639	(36,331)
Intergovernmental revenues	569,310	629,198	1,186,022	556,824
Charges for services	1,666,040	1,867,040	1,772,088	(94,952)
Fines, forfeits, and penalties	1,474,050	1,474,050	1,274,624	(199,426)
Investment and rental income	1,647,830	1,647,830	2,195,924	548,094
Miscellaneous revenue	328,600	347,430	221,949	(125,481)
Total revenues	<u>46,347,600</u>	<u>47,608,038</u>	<u>49,425,335</u>	<u>1,817,297</u>
<b>EXPENDITURES</b>				
Current:				
City Manager	984,940	975,725	888,866	86,859
City Clerk	738,420	731,510	677,958	53,552
City Attorney	693,010	686,100	506,408	179,692
Human Resources	632,220	622,150	625,664	(3,514)
Information Systems	1,316,370	1,297,325	1,139,143	158,182
Financial Services	886,690	868,555	787,965	80,590
Revenue Services	1,069,030	1,040,820	975,199	65,621
Budget and Treasury	327,010	322,405	296,707	25,698
Non Departmental	1,633,000	1,633,000	1,238,899	394,101
Total general government	<u>8,280,690</u>	<u>8,177,590</u>	<u>7,136,809</u>	<u>1,040,781</u>
Public protection:				
Police	20,752,850	20,518,600	19,982,951	535,649
Fire	11,569,300	11,858,920	11,760,207	98,713
Total public protection	<u>32,322,150</u>	<u>32,377,520</u>	<u>31,743,158</u>	<u>634,362</u>
Public works				
	2,466,940	2,394,640	2,180,840	213,800
Library				
	1,189,700	1,250,798	1,165,499	85,299
Total expenditures	<u>44,259,480</u>	<u>44,200,548</u>	<u>42,226,306</u>	<u>1,974,242</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>2,088,120</u>	<u>3,407,490</u>	<u>7,199,029</u>	<u>3,791,539</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,233,780	4,233,780	4,233,780	-
Transfers out	(7,749,000)	(7,749,000)	(7,749,000)	-
Gain on sale of property	(5,000)	(5,000)	698	5,698
Total other financing sources (uses)	<u>(3,520,220)</u>	<u>(3,520,220)</u>	<u>(3,514,522)</u>	<u>5,698</u>
Net changes in fund balance	(1,432,100)	(112,730)	3,684,507	<u>\$ 3,797,237</u>
FUND BALANCES, BEGINNING OF YEAR	18,767,905	18,767,905	18,767,905	
FUND BALANCES, END OF YEAR	<u>\$ 17,335,805</u>	<u>\$ 18,655,175</u>	<u>22,452,412</u>	
Basis adjustment:				
Cummulative pension set aside			<u>(10,716,555)</u>	
Fund balance (budgetary basis)			<u>\$ 11,735,857</u>	

See accompanying notes to the required supplementary information.

**CITY OF LODI**  
**Streets**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 6,066,720	\$ 6,066,720	\$ 6,364,488	\$ 297,768
Charges for services	969,970	969,970	832,451	(137,519)
Investment and rental income	31,200	31,200	111,782	80,582
Miscellaneous revenue	50,000	50,000	510,146	460,146
Total revenues	<u>7,117,890</u>	<u>7,117,890</u>	<u>7,818,867</u>	<u>700,977</u>
<b>EXPENDITURES</b>				
Current:				
Public works	3,277,630	3,290,168	2,258,326	1,031,842
Capital outlay	3,005,040	7,547,120	2,553,264	4,993,856
Total expenditures	<u>6,282,670</u>	<u>10,837,288</u>	<u>4,811,590</u>	<u>6,025,698</u>
Excess (deficiency) of revenues over expenditures	<u>835,220</u>	<u>(3,719,398)</u>	<u>3,007,277</u>	<u>6,726,675</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	652,240	652,240	137,520	(514,720)
Total other financing sources (uses)	<u>652,240</u>	<u>652,240</u>	<u>137,520</u>	<u>(514,720)</u>
Net change in fund balance	1,487,460	(3,067,158)	3,144,797	<u>\$ 6,211,955</u>
FUND BALANCES, BEGINNING OF YEAR	6,397,152	6,397,152	6,397,152	
FUND BALANCES, END OF YEAR	<u>\$ 7,884,612</u>	<u>\$ 3,329,994</u>	9,541,949	
Basis adjustment:				
Cummulative pension set aside			<u>(198,627)</u>	
Fund balance (budgetary basis)			<u>\$ 9,343,322</u>	

See accompanying notes to the required supplementary information.

**CITY OF LODI**  
**Note to the Required Supplementary Information**  
**June 30, 2019**

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**Budgetary Data**

The City adopts an annual budget for the General Fund and special revenue funds. These budgets are prepared in accordance with generally accepted accounting principles with the exception of deposits into the pension stabilization account that the City budgeted for as expenditures in the General Fund; Streets; Parks, Recreation, and Community Services; and Community Development funds. As part of the City's internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The budgetary comparison schedules present budget and actual data only of funds for which an annual budget was adopted. The budgets for capital projects are primarily "long-term" budgets that emphasize the major programs and capital project plans extending over a number of years. Due to the long-term nature of these projects, "annual" budget and actual comparisons are not considered meaningful. Formal budgetary integration is not employed for debt service funds since effective budgetary control is alternatively achieved through the bond indenture provisions. Accordingly, no budgetary information is included in the combining and individual fund statements and schedules for capital projects and debt service funds.

The City Council follows the following procedures in establishing the budgetary data reflected in the accompanying required supplementary information and in the budgetary comparison schedules for nonmajor special revenue funds:

**Original Budget**

On or prior to the first regular Council meeting in June of each year, the City Manager submits to the City Council a proposed Financial Plan and Budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Budgeted revenues are adopted by the City Council at the time the budget is approved. Budgeted revenues are modified when the tax base changes, when fees are modified or when new revenue sources are identified.

Public hearings are conducted during meetings of the City Council to obtain citizens' comments. Prior to July 1, the budget is legally enacted through passage of a resolution.

**Final Budget**

The final budgetary data presented in the required supplementary information and in the budgetary comparison schedules for nonmajor special revenue funds reflects the following changes to the original budget:

- Budgeted expenditures represent original appropriations adjusted by budget transfers and appropriation amendments. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the department level. The operating budget is prepared and controlled at the department level (e.g., city clerk, city manager, etc.) for the General Fund. Special revenue fund expenditures, including transfers out, are approved by Council at the fund level.
- The City Manager may transfer appropriations from one activity to another within a department without approval from the City Council. All other appropriation adjustments during the year, whether transfers, increases or decreases, require City Council approval.

**COMBINING & INDIVIDUAL  
FUND STATEMENTS &  
SCHEDULES**

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## NONMAJOR GOVERNMENTAL FUNDS

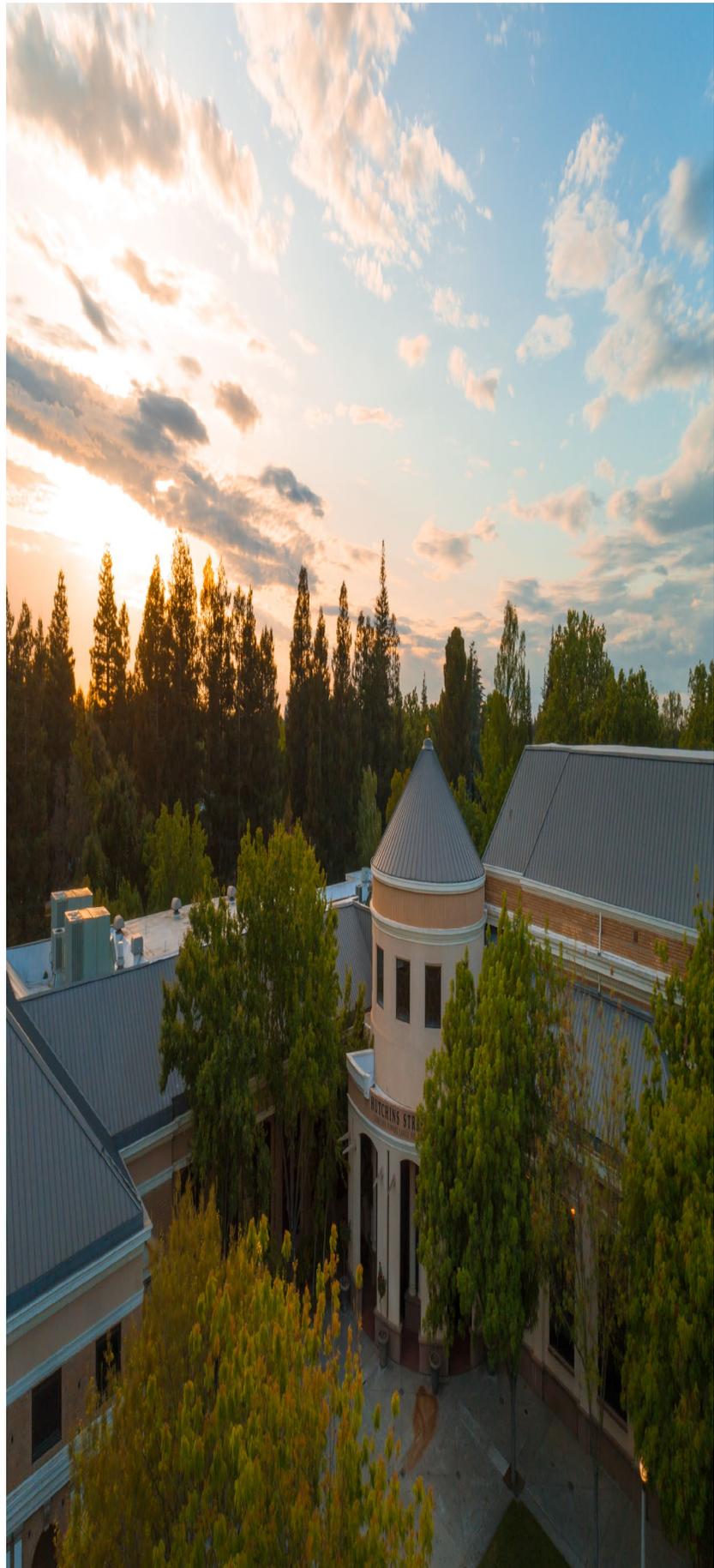
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Nonmajor Governmental Funds include:

**Special Revenue Funds** account for the proceeds of specific revenue sources that are restricted or committed by law or administrative action to expenditures for specified purposes, other than those for major capital projects;

**Debt Service Fund** account for the accumulation of resources for the repayment of principal and interest on general long-term debt;

**Capital Projects Funds** account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.



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**CITY OF LODI**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**Summary by Fund Type**  
**June 30, 2019**

	Special revenue funds	Capital projects funds	Debt service funds	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 4,993,649	\$ 9,646,452	\$ 1,260	\$ 14,641,361
Restricted cash and investments	572,117	-	-	572,117
Accounts receivable, net	66,989	171,705	-	238,694
Interest Receivables	1,964	5,889	-	7,853
Due from other funds	82,448	-	-	82,448
Due from other governmental agencies	673,730	-	-	673,730
Inventory	1,077	-	-	1,077
<b>Total assets</b>	<b>\$ 6,391,974</b>	<b>\$ 9,824,046</b>	<b>\$ 1,260</b>	<b>\$ 16,217,280</b>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 655,103	\$ 124,398	\$ -	\$ 779,501
Accrued salaries and wages	134,608	-	-	134,608
Due to other funds	82,448	-	-	82,448
Advances from other funds	-	548,679	-	548,679
Unearned revenue	107,871	-	-	107,871
<b>Total liabilities</b>	<b>980,030</b>	<b>673,077</b>	<b>-</b>	<b>1,653,107</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	36,502	171,553	-	208,055
<b>Total deferred inflows of resources</b>	<b>36,502</b>	<b>171,553</b>	<b>-</b>	<b>208,055</b>
<b>FUND BALANCES</b>				
Nonspendable				
Inventory	1,077	-	-	1,077
Restricted				
Road-related projects	38,817	-	-	38,817
Public safety	423,693	-	-	423,693
Home and CDBG program	26,122	-	-	26,122
Community development	3,597,428	-	-	3,597,428
Debt service	-	-	1,260	1,260
Pension	572,117	-	-	572,117
Committed				
Parks, recreation and community services	716,188	-	-	716,188
Assigned				
Capital projects	-	8,979,416	-	8,979,416
<b>Total fund balances</b>	<b>5,375,442</b>	<b>8,979,416</b>	<b>1,260</b>	<b>14,356,118</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,391,974</b>	<b>\$ 9,824,046</b>	<b>\$ 1,260</b>	<b>\$ 16,217,280</b>

**CITY OF LODI**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Summary by Fund Type**  
**For the Year Ended June 30, 2019**

	Special revenue funds	Capital projects funds	Debt service funds	Total Other Governmental Funds
<b>REVENUES</b>				
Licenses and permits	\$ 1,504,185	\$ -	\$ -	\$ 1,504,185
Intergovernmental revenues	1,662,957	-	-	1,662,957
Charges for services	3,010,363	943,508	-	3,953,871
Investment and rental income	607,846	78,269	-	686,115
Miscellaneous revenue	11,885	68,279	-	80,164
Total revenues	<u>6,797,236</u>	<u>1,090,056</u>	<u>-</u>	<u>7,887,292</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	2,471,862	-	-	2,471,862
Public protection	206,254	-	-	206,254
Public works	1,012,686	-	-	1,012,686
Community development	2,112,118	-	-	2,112,118
Parks and recreation	2,680,488	-	-	2,680,488
Capital outlay	102,035	724,783	-	826,818
<b>Debt service:</b>				
Interest	7,916	57,526	763,355	828,797
Principal retirement	78,624	-	993,571	1,072,195
Total expenditures	<u>8,671,983</u>	<u>782,309</u>	<u>1,756,926</u>	<u>11,211,218</u>
Excess (deficiency) of revenues over expenditures	<u>(1,874,747)</u>	<u>307,747</u>	<u>(1,756,926)</u>	<u>(3,323,926)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,886,960	3,186,045	1,757,440	8,830,445
Transfers out	(1,218,965)	-	-	(1,218,965)
Proceeds from sale of property	-	402,873	-	402,873
Total other financing sources (uses)	<u>2,667,995</u>	<u>3,588,918</u>	<u>1,757,440</u>	<u>8,014,353</u>
Net change in fund balances	793,248	3,896,665	514	4,690,427
Fund balances - beginning	4,582,194	5,082,751	746	9,665,691
Fund balances - ending	<u>\$ 5,375,442</u>	<u>\$ 8,979,416</u>	<u>\$ 1,260</u>	<u>\$ 14,356,118</u>

## NONMAJOR SPECIAL REVENUE FUNDS

### **Parks, Recreation, and Community Services**

This fund was established to account for the revenues and expenditures related to the activities of the Hutchins Street Square and Performing Arts Theater and the wide-range of parks and recreation activities and programs offered to the public.

### **Public Safety**

This fund was established to account for the revenues and expenditures related to the City's share of property forfeited by persons convicted of possession and selling illegal drugs and the State of California auto theft prosecution monies along with State and Federal grants related to public safety operations.

### **Community Development**

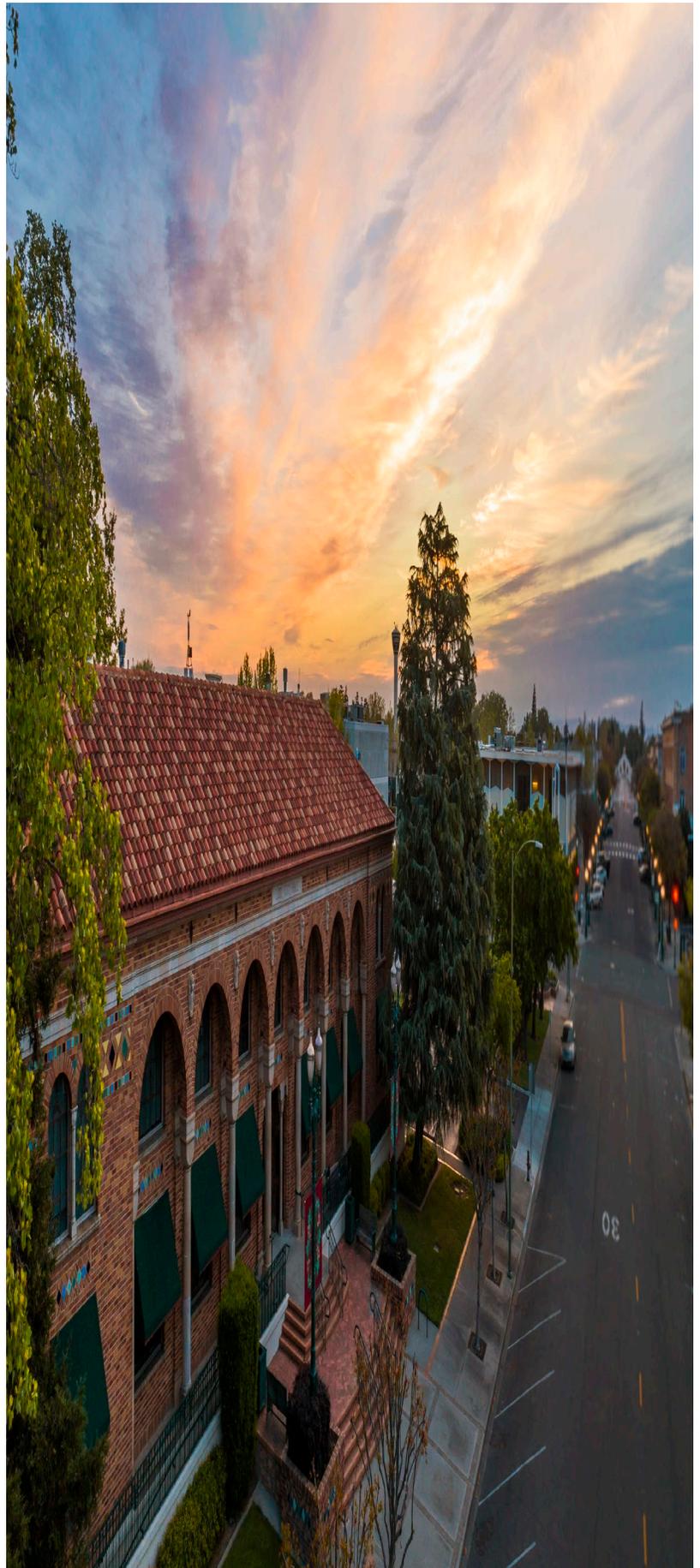
This fund was established to account for development planning and project review services including land use entitlements, permit processing and review/inspection of public improvements to ensure orderly physical growth and development of the City.

### **Transportation**

This fund was established to account for the receipt of moneys from the State of California apportioned to the City for transportation purposes. The State has designated 1/4% of the 6% sales tax levied statewide for local transportation purposes. Funding for this program was provided during the 1971 legislative session with the enactment of the Transportation Development Act, which extended the 6% sales tax to include purchases of gasoline. Revenues allocated to the City of Lodi under this program are divided into two categories: Article 8 funds, which are restricted for the improvement and maintenance of street systems; and Article 4 funds, which are restricted for public transit systems.

### **HOME Program and Community Development Block Grants**

This fund was established to account for the City's HOME Program that provides adequate and affordable housing for low and very low-income residents, and Community Development Block Grants provided to the City principally for low and moderate income residents to develop a suitable living environment and expand economic opportunities.



**CITY OF LODI**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2019**

	Parks, Recreation & Community Services	Public Safety	Community Development
<b>ASSETS</b>			
Cash and investments	\$ 961,820	\$ 413,590	\$ 3,618,239
Restricted cash and investments	359,692	-	212,425
Accounts receivables, net	7,760	-	4,564
Due from other funds	-	-	82,448
Interest receivables	1,262	634	-
Due from other governmental agencies	-	23,604	106,602
Inventory	1,077	-	-
Total assets	<u>\$ 1,331,611</u>	<u>\$ 437,828</u>	<u>\$ 4,024,278</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	\$ 71,023	\$ 189	\$ 191,182
Accrued salaries and wages	111,365	-	23,243
Due to other funds	-	-	-
Unearned revenue	62,923	13,946	-
Total liabilities	<u>245,311</u>	<u>14,135</u>	<u>214,425</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	9,343	-	-
Total deferred inflow of resources	<u>9,343</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable			
Inventory	1,077	-	-
Restricted			
Road-related projects	-	-	-
Public safety	-	423,693	-
Home and CDBG program	-	-	-
Community development	-	-	3,597,428
Pension	359,692	-	212,425
Committed			
Parks, recreation and community services	716,188	-	-
Total fund balances	<u>1,076,957</u>	<u>423,693</u>	<u>3,809,853</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,331,611</u>	<u>\$ 437,828</u>	<u>\$ 4,024,278</u>

**CITY OF LODI**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Special Revenue Funds**  
**June 30, 2019**

	Transportation	HOME Program and Community Development Block Grants	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>			
Cash and investments	\$ -	\$ -	\$ 4,993,649
Restricted cash and investments	-	-	572,117
Accounts receivables, net	54,665	-	66,989
Due from other funds	-	-	82,448
Interest receivables	-	68	1,964
Due from other governmental agencies	-	543,524	673,730
Inventory	-	-	1,077
Total assets	<u>\$ 54,665</u>	<u>\$ 543,592</u>	<u>\$ 6,391,974</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	\$ -	\$ 392,709	\$ 655,103
Accrued salaries and wages	-	-	134,608
Due to other funds	15,848	66,600	82,448
Unearned revenue	-	31,002	107,871
Total liabilities	<u>15,848</u>	<u>490,311</u>	<u>980,030</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	-	27,159	36,502
Total deferred inflow of resources	<u>-</u>	<u>27,159</u>	<u>36,502</u>
<b>FUND BALANCES</b>			
Nonspendable			
Inventory	-	-	1,077
Restricted			
Road-related projects	38,817	-	38,817
Public safety	-	-	423,693
Home and CDBG program	-	26,122	26,122
Community development	-	-	3,597,428
Pension	-	-	572,117
Committed			
Parks, recreation and community services	-	-	716,188
Total fund balances	<u>38,817</u>	<u>26,122</u>	<u>5,375,442</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 54,665</u>	<u>\$ 543,592</u>	<u>\$ 6,391,974</u>

**CITY OF LODI**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2019**

	Parks, Recreation & Community Services	Public Safety	Community Development
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	1,504,185
Intergovernmental revenues	-	343,015	213,569
Charges for services	1,951,699	-	1,058,664
Investment and rental income	546,593	2,281	58,456
Miscellaneous revenue	11,825	-	60
Total revenues	<u>2,510,117</u>	<u>345,296</u>	<u>2,834,934</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,471,862	-	-
Public protection	-	206,254	-
Public works	-	-	-
Community development	-	-	2,112,118
Parks and recreation	2,680,488	-	-
Capital outlay	47,308	-	-
Debt service:			
Principal	-	78,624	-
Interest	-	7,916	-
Total expenditures	<u>5,199,658</u>	<u>292,794</u>	<u>2,112,118</u>
Excess (deficiency) of revenues over expenditures	<u>(2,689,541)</u>	<u>52,502</u>	<u>722,816</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,886,960	-	-
Transfers out	<u>(1,164,685)</u>	<u>-</u>	<u>(54,280)</u>
Total other financing sources (uses)	<u>2,722,275</u>	<u>-</u>	<u>(54,280)</u>
Net change in fund balances	32,734	52,502	668,536
Fund balances - beginning	1,044,223	371,191	3,141,317
Fund balances - ending	<u>\$ 1,076,957</u>	<u>\$ 423,693</u>	<u>\$ 3,809,853</u>

**CITY OF LODI**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2019**

	Transportation	HOME Program and Community Development Block Grants	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	1,504,185
Intergovernmental revenues	93,687	1,012,686	1,662,957
Charges for services	-	-	3,010,363
Investment and rental income	(303)	819	607,846
Miscellaneous revenue	-	-	11,885
Total revenues	<u>93,384</u>	<u>1,013,505</u>	<u>6,797,236</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	2,471,862
Public protection	-	-	206,254
Public works	-	1,012,686	1,012,686
Community development	-	-	2,112,118
Parks and recreation	-	-	2,680,488
Capital outlay	54,727	-	102,035
Debt service:			
Principal	-	-	78,624
Interest	-	-	7,916
Total expenditures	<u>54,727</u>	<u>1,012,686</u>	<u>8,671,983</u>
Excess (deficiency) of revenues over expenditures	<u>38,657</u>	<u>819</u>	<u>(1,874,747)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	3,886,960
Transfers out	-	-	(1,218,965)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,667,995</u>
Net change in fund balances	38,657	819	793,248
Fund balances - beginning	160	25,303	4,582,194
Fund balances - ending	<u>\$ 38,817</u>	<u>\$ 26,122</u>	<u>\$ 5,375,442</u>

**CITY OF LODI**  
**Parks, Recreation & Community Services**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 2,406,180	\$ 2,406,180	\$ 1,951,699	\$ (454,481)
Investment and rental income	486,000	486,000	546,593	60,593
Miscellaneous revenue	256,500	256,500	11,825	(244,675)
Total revenues	<u>3,148,680</u>	<u>3,148,680</u>	<u>2,510,117</u>	<u>(638,563)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,743,840	2,700,850	2,471,862	228,988
Parks and recreation	3,481,150	3,957,140	2,680,488	1,276,652
Capital Outlay	882,340	1,195,840	47,308	1,148,532
Total expenditures	<u>7,107,330</u>	<u>7,853,830</u>	<u>5,199,658</u>	<u>2,654,172</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,958,650)</u>	<u>(4,705,150)</u>	<u>(2,689,541)</u>	<u>2,015,609</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,886,960	3,886,960	3,886,960	-
Transfers out	(717,710)	(1,164,685)	(1,164,685)	-
Total other financing sources (uses)	<u>3,169,250</u>	<u>2,722,275</u>	<u>2,722,275</u>	<u>-</u>
Net changes in fund balance	(789,400)	(1,982,875)	32,734	<u>\$ 2,015,609</u>
FUND BALANCES, BEGINNING OF YEAR	1,044,223	1,044,223	1,044,223	
FUND BALANCES, END OF YEAR	<u>\$ 254,823</u>	<u>\$ (938,652)</u>	1,076,957	
Basis adjustment:				
Cumulative pension set aside			<u>(359,692)</u>	
Fund balance (budgetary basis)			<u>\$ 717,265</u>	

**CITY OF LODI**  
**Public Safety**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 382,870	\$ 577,757	\$ 343,015	\$ (234,742)
Investment and rental income	2,600	2,600	2,281	(319)
Total revenues	<u>385,470</u>	<u>580,357</u>	<u>345,296</u>	<u>(235,061)</u>
<b>EXPENDITURES</b>				
Current:				
Public protection	315,000	969,388	206,254	763,134
Debt service:				
Principal retirement	-	-	78,624	(78,624)
Interest expense	-	-	7,916	(7,916)
Total expenditures	<u>315,000</u>	<u>969,388</u>	<u>292,794</u>	<u>676,594</u>
Net change in fund balances	70,470	(389,031)	52,502	<u>\$ 441,533</u>
FUND BALANCES, BEGINNING OF YEAR	371,191	371,191	371,191	
FUND BALANCES, END OF YEAR	<u>\$ 441,661</u>	<u>\$ (17,840)</u>	<u>\$ 423,693</u>	

**CITY OF LODI**  
**Community Development**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Licenses and permits	\$ 1,543,100	\$ 1,543,100	\$ 1,504,185	\$ (38,915)
Intergovernmental revenues	200,000	200,000	213,569	13,569
Charges for services	654,000	654,000	1,058,664	404,664
Investment and rental income	24,000	24,000	58,456	34,456
Miscellaneous revenue	-	-	60	60
Total revenues	<u>2,421,100</u>	<u>2,421,100</u>	<u>2,834,934</u>	<u>413,834</u>
<b>EXPENDITURES</b>				
Current:				
Community development	2,229,990	2,515,790	2,112,118	403,672
Total expenditures	<u>2,229,990</u>	<u>2,515,790</u>	<u>2,112,118</u>	<u>403,672</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>191,110</u>	<u>(94,690)</u>	<u>722,816</u>	<u>817,506</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	165,000	165,000	-	(165,000)
Transfers out	-	-	(54,280)	(54,280)
Total other financing sources (uses)	<u>165,000</u>	<u>165,000</u>	<u>(54,280)</u>	<u>(219,280)</u>
Net change in fund balances	356,110	70,310	668,536	<u>\$ 598,226</u>
FUND BALANCES, BEGINNING OF YEAR	<u>3,141,317</u>	<u>3,141,317</u>	<u>3,141,317</u>	
FUND BALANCES, END OF YEAR	<u>\$ 3,497,427</u>	<u>\$ 3,211,627</u>	<u>3,809,853</u>	
Basis adjustment:				
Cumulative pension set aside			<u>(212,425)</u>	
Fund balance (budgetary basis)			<u>\$ 3,597,428</u>	

**CITY OF LODI**  
**Transportation**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 54,730	\$ 54,730	\$ 93,687	\$ 38,957
Investment and rental income	-	-	(303)	(303)
Total revenues	<u>54,730</u>	<u>54,730</u>	<u>93,384</u>	<u>38,654</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>54,727</u>	<u>5,273</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>54,727</u>	<u>5,273</u>
Net change in fund balances	(5,270)	(5,270)	38,657	<u>\$ 43,927</u>
FUND BALANCES, BEGINNING OF YEAR	160	160	160	
FUND BALANCES, END OF YEAR	<u>\$ (5,110)</u>	<u>\$ (5,110)</u>	<u>\$ 38,817</u>	

**CITY OF LODI**  
**HOME Program and Community Development Block Grants**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 1,233,920	\$ 1,233,920	\$ 1,012,686	\$ (221,234)
Investment and rental income	-	-	819	819
Total revenues	<u>1,233,920</u>	<u>1,233,920</u>	<u>1,013,505</u>	<u>(220,415)</u>
<b>EXPENDITURES</b>				
Public works	<u>1,233,920</u>	<u>2,483,920</u>	<u>1,012,686</u>	<u>1,471,234</u>
Total expenditures	<u>1,233,920</u>	<u>2,483,920</u>	<u>1,012,686</u>	<u>1,471,234</u>
Net change in fund balances	-	(1,250,000)	819	<u>\$ 1,250,819</u>
FUND BALANCES, BEGINNING OF YEAR	25,303	25,303	25,303	
FUND BALANCES, END OF YEAR	<u>\$ 25,303</u>	<u>\$ (1,224,697)</u>	<u>\$ 26,122</u>	

# NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECT FUNDS

## Vehicle and Equipment

This fund was established to account for the financing and replacement of vehicles and equipment for all funds of the City with the exception of the Enterprise Funds. Financing is primarily provided through transfers from other funds, interest earnings and sales of surplus property.

## Library

This fund is used to account for the acquisition, construction and installation of capital facilities for the Library.

## Hutchins Street Square

When the old Lodi High School burned down, the City purchased the property and renamed it Hutchins Street Square. The Old Lodi High Site Foundation was established which organizes events to raise money for the capital restoration of Hutchins Street Square.

## Capital Outlay Reserve

This fund was established to account for the entire City's construction projects and capital purchases in excess of \$10,000 with the exception of those funded through Enterprise Funds. Financing is provided primarily through transfers from other funds and from State and Federal grants.

## Parks Capital

This fund was established to account for the acquisition, construction and installation of capital facilities for the various City parks.



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**CITY OF LODI**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**June 30, 2019**

	Vehicle and Equipment	Library	Hutchins Street Square
<b>ASSETS</b>			
Cash and investments	\$ 4,632,848	\$ 180,382	\$ 1,140
Accounts receivables, net	-	-	-
Interest receivables	-	-	1
Total assets	<u>\$ 4,632,848</u>	<u>\$ 180,382</u>	<u>\$ 1,141</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	\$ 15,208	\$ -	\$ -
Advances from other funds	-	-	-
Total liabilities	<u>15,208</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Assigned			
Capital projects	4,617,640	180,382	1,141
Total fund balances	<u>4,617,640</u>	<u>180,382</u>	<u>1,141</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,632,848</u>	<u>\$ 180,382</u>	<u>\$ 1,141</u>

**CITY OF LODI**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Capital Projects Funds**  
**June 30, 2019**

	Capital Outlay Reserve	Parks Capital	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>			
Cash and investments	\$ 3,852,083	\$ 979,999	\$ 9,646,452
Accounts receivables, net	171,705	-	171,705
Interest receivables	4,721	1,167	5,889
Total assets	<u>\$ 4,028,509</u>	<u>\$ 981,166</u>	<u>\$ 9,824,046</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	\$ 109,190	\$ -	\$ 124,398
Advances from other funds	548,679	-	548,679
Total liabilities	<u>657,869</u>	<u>-</u>	<u>673,077</u>
<b>DEFERRRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	171,553	-	171,553
Total deferred inflows of resources	<u>171,553</u>	<u>-</u>	<u>171,553</u>
<b>FUND BALANCES</b>			
Assigned			
Capital projects	3,199,087	981,166	8,979,416
Total fund balances	<u>3,199,087</u>	<u>981,166</u>	<u>8,979,416</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,028,509</u>	<u>\$ 981,166</u>	<u>\$ 9,824,046</u>

**CITY OF LODI**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2019**

	Vehicle and Equipment	Library	Hutchins Street Square
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
Investment and rental income	21,745	-	(2,442)
Miscellaneous revenue	57,055	-	(2,181)
Total revenues	<u>78,800</u>	<u>-</u>	<u>(4,623)</u>
<b>EXPENDITURES</b>			
Capital outlay	162,367	-	-
Debt service:			
Interest	-	-	-
Total expenditures	<u>162,367</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(83,567)</u>	<u>-</u>	<u>(4,623)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,338,045	100,000	-
Proceeds from sale of property	-	-	-
Total other financing sources (uses)	<u>2,338,045</u>	<u>100,000</u>	<u>-</u>
Change in fund balances	2,254,478	100,000	(4,623)
Fund balances - beginning	2,363,162	80,382	5,764
Fund balances - ending	<u>\$ 4,617,640</u>	<u>\$ 180,382</u>	<u>\$ 1,141</u>

**CITY OF LODI**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2019**

	<u>Capital Outlay Reserve</u>	<u>Parks Capital</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>REVENUES</b>			
Charges for services	\$ 943,508	\$ -	\$ 943,508
Investment and rental income	52,492	6,474	78,269
Miscellaneous revenue	-	13,405	68,279
Total revenues	<u>996,000</u>	<u>19,879</u>	<u>1,090,056</u>
<b>EXPENDITURES</b>			
Capital outlay	452,978	109,438	724,783
Debt service:			
Interest	<u>57,526</u>	<u>-</u>	<u>57,526</u>
Total expenditures	<u>510,504</u>	<u>109,438</u>	<u>782,309</u>
Excess (deficiency) of revenues over expenditures	<u>485,496</u>	<u>(89,559)</u>	<u>307,747</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	430,000	318,000	3,186,045
Proceeds from sale of property	<u>402,873</u>	<u>-</u>	<u>402,873</u>
Total other financing sources (uses)	<u>832,873</u>	<u>318,000</u>	<u>3,588,918</u>
Change in fund balances	1,318,369	228,441	3,896,665
Fund balances - beginning	1,880,718	752,725	5,082,751
Fund balances - ending	<u>\$ 3,199,087</u>	<u>\$ 981,166</u>	<u>\$ 8,979,416</u>

## INTERNAL SERVICE FUNDS

Internal Service Funds are maintained to account for the internal transfer of services between operating units of the City and to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple organizations.

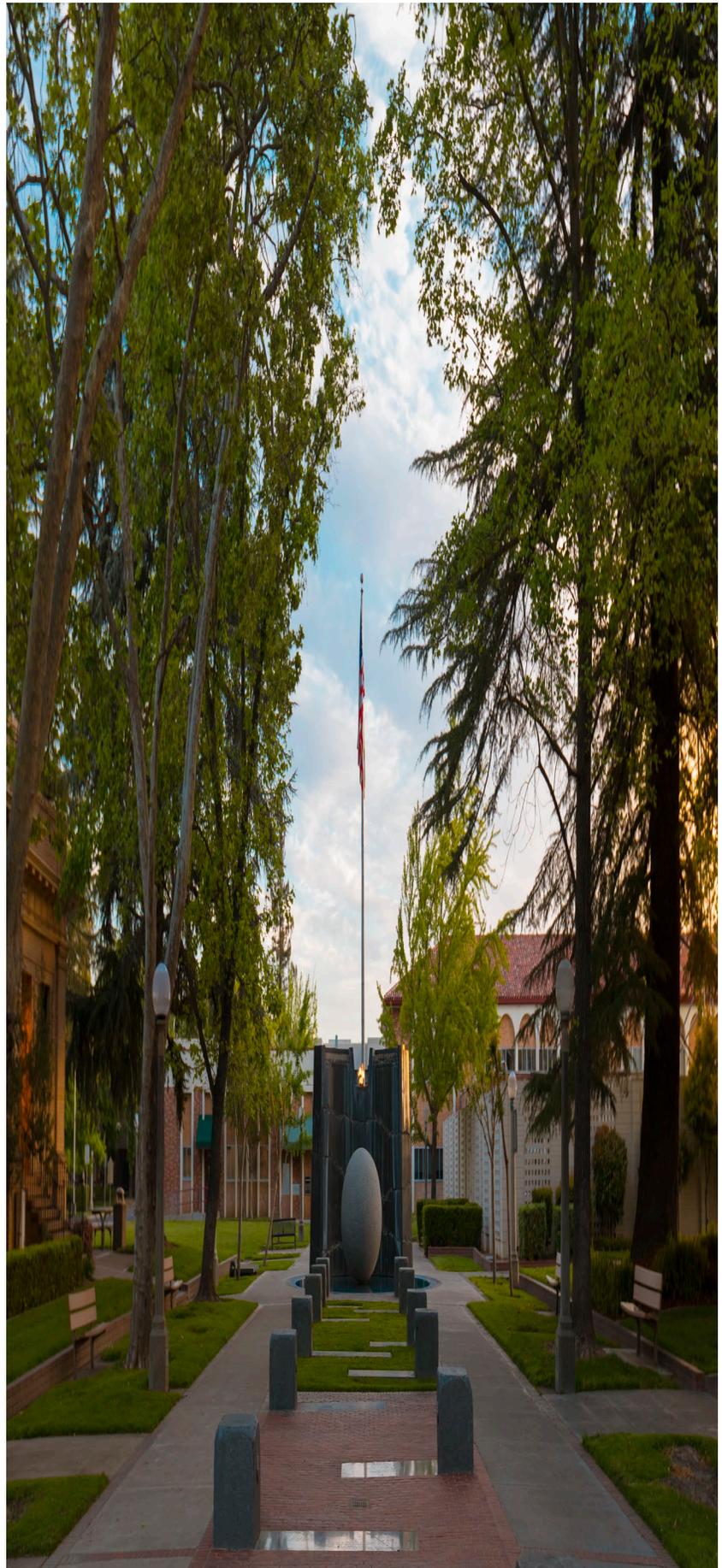
**Fleet Services** is used to account for the operation, maintenance and timely replacement of the City's fleet of vehicles which serve the transportation needs of all City departments.

**Benefits** is used to account for the following employee benefits:

- Dental
- Employee Assistance Program
- Chiropractic
- Employee Recognition Program
- Life/Accidental Insurance
- Unemployment Insurance
- Medical
- Flexible Spending Program
- Vision
- Long Term Disability

**Insurance** is used to account for the following insurances:

- General Liability
- Workers' Compensation
- Other Insurance



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**CITY OF LODI**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2019**

	Fleet Services	Benefits	Insurance	Total Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 1,721,146	\$ 12,960,945	\$ 14,682,091
Restricted cash and investments	-	-	46,562	46,562
Receivables: Accounts, net	358	130	4,770	5,258
Receivables: Interest	-	1,946	15,657	17,603
Inventory	140,967	-	-	140,967
Due from other fund	-	75,398	-	75,398
Prepaid	-	110,008	-	110,008
Restricted cash and investments	83,988	-	-	83,988
Capital assets, net	21,708	-	-	21,708
Total assets	<u>247,021</u>	<u>1,908,628</u>	<u>13,027,934</u>	<u>15,183,583</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	227,245	-	-	227,245
Related to OPEB	-	1,862,969	-	1,862,969
Total deferred outflows of resources	<u>227,245</u>	<u>1,862,969</u>	<u>-</u>	<u>2,090,214</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	66,526	(6,416)	167,544	227,654
Accrued salaries and wages	14,241	-	-	14,241
Accrued compensated absences	45,340	-	-	45,340
Due to other fund	75,398	-	-	75,398
Noncurrent liabilities:				
Self insurance liability	-	-	8,065,374	8,065,374
Accrued compensated absences	112,264	8,104,816	-	8,217,080
Net OPEB Liability	-	33,422,021	-	33,422,021
Net pension liability	1,512,040	-	-	1,512,040
Total liabilities	<u>1,825,809</u>	<u>41,520,421</u>	<u>8,232,918</u>	<u>51,579,148</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	19,366	-	-	19,366
Related to OPEB	-	2,006,962	-	2,006,962
Total deferred inflows of resources	<u>19,366</u>	<u>2,006,962</u>	<u>-</u>	<u>2,026,328</u>
NET POSITION				
Investment in capital assets	21,708	-	-	21,708
Unrestricted (deficit)	(1,392,617)	(39,755,786)	4,795,016	(36,353,387)
Total net position	<u>\$ (1,370,909)</u>	<u>\$ (39,755,786)</u>	<u>\$ 4,795,016</u>	<u>\$ (36,331,679)</u>

**CITY OF LODI**  
**Combining Statement of Revenues, Expenditures, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2019**

	Fleet Services	Benefits	Insurance	Total Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,054,575	\$ 7,846,452	\$ 2,260,047	\$ 12,161,074
Total operating revenues	<u>2,054,575</u>	<u>7,846,452</u>	<u>2,260,047</u>	<u>12,161,074</u>
<b>OPERATING EXPENSES</b>				
Personnel services	963,574	378,687	200,940	1,543,201
Supplies, materials and services	1,156,841	5,811,480	1,102,634	8,070,955
Utilities	11,506	-	-	11,506
Depreciation	1,447	-	-	1,447
Claims/premiums	20,730	1,231,018	2,096,525	3,348,273
Total operating expenses	<u>2,154,098</u>	<u>7,421,185</u>	<u>3,400,099</u>	<u>12,975,382</u>
Operating income (loss)	<u>(99,523)</u>	<u>425,267</u>	<u>(1,140,052)</u>	<u>(814,308)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	(3,030)	13,399	190,260	200,629
Other revenues	27,688	235,634	22,098	285,420
Total nonoperating revenues (expenses)	<u>24,658</u>	<u>249,033</u>	<u>212,358</u>	<u>486,049</u>
Change in net position	<u>(74,865)</u>	<u>674,300</u>	<u>(927,694)</u>	<u>(328,259)</u>
Total net position - beginning, as restated (Note 16)	<u>(1,296,044)</u>	<u>(40,430,086)</u>	<u>5,722,710</u>	<u>(36,003,420)</u>
Total net position - ending	<u>\$ (1,370,909)</u>	<u>\$ (39,755,786)</u>	<u>\$ 4,795,016</u>	<u>\$ (36,331,679)</u>

**CITY OF LODI**  
**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2019**

	Fleet Services	Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 27,345	\$ 272,356
Cash from interfund customers	2,058,472	7,771,052
Payments to suppliers	(1,149,710)	(7,163,587)
Payments to employees	(849,089)	(634,022)
Net cash provided (used) by operating activities	<u>87,018</u>	<u>245,799</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>(3,030)</u>	<u>24,322</u>
Net cash provided (used) by investing activities	<u>(3,030)</u>	<u>24,322</u>
Net increase (decrease) in cash and cash equivalents	83,988	270,121
Balances - beginning of year	-	1,451,025
Balances - end of the year	<u>\$ 83,988</u>	<u>\$ 1,721,146</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income (loss)	(99,523)	425,267
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation Expense	1,447	-
Changes in assets, liabilities and deferred outflow/inflows of resources:		
Customer Receivables	(343)	36,722
Inventory	4,757	-
Other assets	-	1,323
Accounts Payable - Supplier	34,610	(122,412)
Accrued salaries and wages	11,652	-
Unclaimed Property	-	-
Compensated absences	4,822	(369,402)
Due to other funds	3,898	(75,398)
Self-insurance liability	-	-
Deferred inflows (outflows) of resources	98,011	114,068
Other revenues	27,687	235,631
Net cash provided (used) by operating activities	<u>\$ 87,018</u>	<u>\$ 245,799</u>

**CITY OF LODI**  
**Statement of Cash Flows**  
**Internal Service Funds (Continued)**  
**For the Year Ended June 30, 2019**

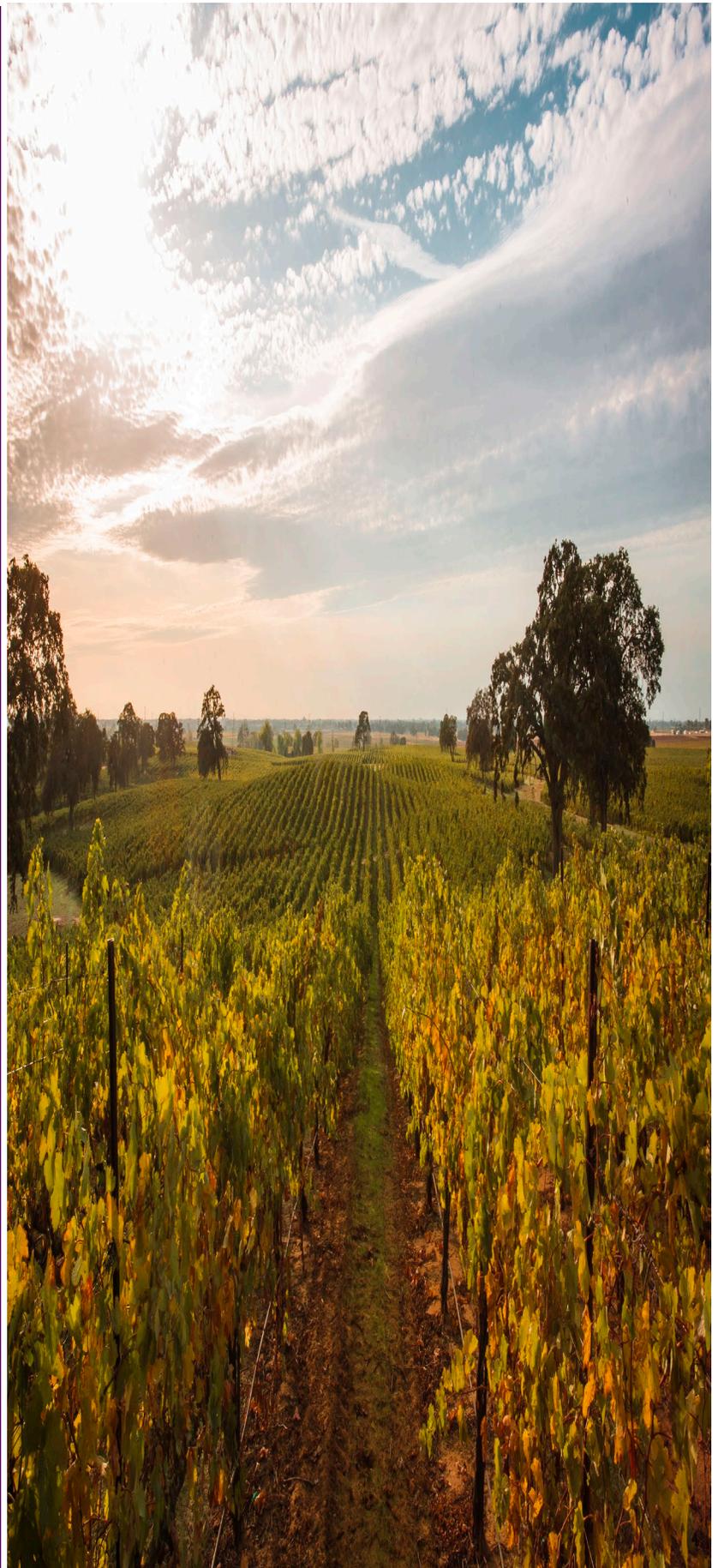
	Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 42,234	\$ 341,935
Cash from interfund customers	2,327,192	12,156,716
Payments to suppliers	(3,024,942)	(11,338,239)
Payments to employees	(200,940)	(1,684,051)
Net cash provided (used) by operating activities	<u>(856,456)</u>	<u>(523,639)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>178,695</u>	<u>199,987</u>
Net cash provided (used) by investing activities	<u>178,695</u>	<u>199,987</u>
Net increase (decrease) in cash and cash equivalents	(677,761)	(323,652)
Balances - beginning of year	13,685,268	15,136,293
Balances - end of the year	<u>\$ 13,007,507</u>	<u>\$ 14,812,641</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income (loss)	(1,140,052)	\$ (814,308)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation Expense	-	1,447
Changes in assets, liabilities and deferred outflow/inflows of resources:		
Customer Receivables	15,779	52,158
Inventory	-	4,757
Other assets	-	1,323
Accounts Payable - Supplier	108,053	20,251
Accrued salaries and wages	-	11,652
Unclaimed Property	(4,674)	(4,674)
Compensated absences	-	(364,580)
Due to other funds	71,500	-
Self-insurance liability	70,838	70,838
Deferred inflows (outflows) of resources	-	212,079
Other revenues	22,100	285,418
Net cash provided (used) by operating activities	<u>\$ (856,456)</u>	<u>\$ (523,639)</u>

## FIDUCIARY FUNDS

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**Private-Purpose Trust Funds** account for trust agreements under which the principal and income benefit individuals, private organizations or other governments.

**Agency Funds** account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman districts and the Downtown and Cherokee Lane Districts.



**CITY OF LODI**  
**Combining Statement of Fiduciary Net Position**  
**Private-Purpose Trust Funds**  
**June 30, 2019**

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	Library	Hutchins St Sq/Holz Bequest	Total Private-Purpose Trust Funds
ASSETS			
Cash and investments	\$ 144,265	\$ 1,568	\$ 145,833
Interest receivable	-	2	2
Total assets	144,265	1,570	145,835
 Fiduciary Net Position	 \$ 144,265	 \$ 1,570	 \$ 145,835

**CITY OF LODI**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private-Purpose Trust Funds**  
**For the Year Ended June 30, 2019**

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	Library	Hutchins St Sq/Holz Bequest	Total Private-Purpose Trust Funds
ADDITIONS			
Investment and rental income	\$ 12,495	\$ 48	\$ 12,543
DEDUCTIONS			
Current:			
Library	2,807	-	2,807
Changes in fiduciary net position	9,688	48	9,736
Fiduciary Net Position - beginning of the year	134,577	1,522	136,099
Fiduciary Net Position - end of the year	\$ 144,265	\$ 1,570	\$ 145,835

**CITY OF LODI**  
**Combining Statement of Fiduciary Net Position**  
**Agency funds**  
**June 30, 2019**

	Special Assessments			Balance June 30, 2019
	Balance July 1, 2018	Additions	Deductions	
<b>ASSETS</b>				
Cash and investments	\$ 423,634	\$ 39,231	\$ 95,066	\$ 367,800
Interest receivable	133	450	132	451
Total assets	<u>\$ 423,767</u>	<u>\$ 39,682</u>	<u>\$ 95,198</u>	<u>\$ 368,251</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 423,767	\$ 382,988	\$ 438,504	\$ 368,251
Total liabilities	<u>\$ 423,767</u>	<u>\$ 382,988</u>	<u>\$ 438,504</u>	<u>\$ 368,251</u>

**STATISTICAL SECTION**  
**UNAUDITED**

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## STATISTICAL SECTION

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The Statistical Section provides detailed information as a framework for understanding the information in the financial statements, notes and required supplementary information. This section presents additional data and analysis that may provide the reader with valuable insight regarding the demographics and the overall health of the City.

### Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.

### Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax.

### 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.

### 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 and to help make comparisons over time and with other governments.

### Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.

### Sources

Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial report.

**CITY OF LODI**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(Dollar amounts in thousands)**

	Fiscal Year									
	2019	2018 <sup>(2)</sup>	2017	2016	2015 <sup>(1)</sup>	2014	2013	2012	2011	2010
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 116,151	\$ 119,222	\$ 117,196	\$ 111,256	\$ 105,944	\$ 105,462	\$ 106,828	\$ 107,587	\$ 114,165	\$ 113,308
Restricted	25,751	25,904	15,545	13,911	12,001	11,809	12,601	16,176	14,894	13,233
Unrestricted	(115,043)	(117,535)	(77,162)	(76,984)	(74,146)	2,551	1,157	(3,606)	(5,148)	(6,110)
<b>Total governmental activities net position</b>	<b>26,859</b>	<b>27,591</b>	<b>55,579</b>	<b>48,183</b>	<b>43,799</b>	<b>119,822</b>	<b>120,586</b>	<b>120,157</b>	<b>123,911</b>	<b>120,431</b>
<b>Business-type activities:</b>										
Net investment in capital assets	129,858	137,291	129,086	121,468	119,924	116,156	113,008	109,582	104,858	100,233
Restricted	20,402	20	3,929	3,893	6,810	6,703	6,600	6,533	5,303	-
Unrestricted	27,957	24,584	16,463	14,427	892	16,535	14,827	(34,563)	(34,129)	(28,591)
<b>Total business-type activities net position</b>	<b>178,217</b>	<b>161,895</b>	<b>149,478</b>	<b>139,788</b>	<b>127,626</b>	<b>139,394</b>	<b>134,435</b>	<b>81,552</b>	<b>76,032</b>	<b>71,642</b>
<b>Primary government:</b>										
Net investment in capital assets	246,010	256,513	246,282	232,724	225,868	221,618	219,836	217,169	219,023	213,541
Restricted	46,153	25,924	19,474	17,804	18,811	18,512	19,201	22,709	20,197	13,233
Unrestricted	(87,086)	(92,951)	(60,699)	(62,557)	(73,254)	19,086	15,984	(38,169)	(39,277)	(34,701)
<b>Total primary government net position</b>	<b>\$ 205,077</b>	<b>\$ 189,486</b>	<b>\$ 205,057</b>	<b>\$ 187,971</b>	<b>\$ 171,425</b>	<b>\$ 259,216</b>	<b>\$ 255,021</b>	<b>\$ 201,709</b>	<b>\$ 199,943</b>	<b>\$ 192,073</b>

(1) Fiscal year 2015 beginning net position was restated due to the implementation of GASB 68.

(2) Fiscal year 2018 beginning net position was restated due to the implementation of GASB 75.

Source: City of Lodi Financial Services Division

**CITY OF LODI**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(Dollar amounts in thousands)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Expenses</b>										
Governmental activities:										
General government	\$ 11,390	\$ 11,601	\$ 9,650	\$ 10,369	\$ 9,109	\$ 9,580	\$ 8,943	\$ 9,381	\$ 8,262	\$ 8,749
Public protection	33,396	38,795	33,239	31,395	27,426	27,884	25,930	25,432	25,113	27,186
Public works	11,013	9,823	10,614	10,326	10,281	10,644	10,546	10,248	9,305	10,462
Community development	2,187	1,999	1,709	1,792	1,165	1,174	1,050	1,003	973	1,114
Library	785	1,753	1,253	1,389	1,324	1,282	1,342	1,381	1,355	1,440
Parks and recreation	4,142	4,672	3,663	4,262	3,116	3,164	2,933	2,913	5,778	5,077
Interest and fiscal charges	782	768	824	822	818	825	416	1,033	1,075	1,105
Total governmental activities expenses	63,695	69,411	60,952	60,355	53,239	54,553	51,160	51,391	51,861	55,133
Business-type activities:										
Electric	64,104	67,943	62,791	61,764	64,367	61,974	61,106	62,599	63,399	64,364
Wastewater	14,410	16,008	16,318	14,024	12,912	12,527	13,423	17,441	11,687	11,289
Water	12,138	11,776	11,961	10,967	9,905	11,014	(34,877)	7,953	8,188	6,148
Transit	5,086	5,233	4,925	4,415	4,134	3,834	4,141	4,256	4,132	4,785
Total business-type activities expenses	95,738	100,960	95,995	91,170	91,318	89,349	43,793	92,249	87,406	86,586
Total primary government expenses	159,433	170,371	156,947	151,525	144,557	143,902	94,953	143,640	139,267	141,719
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	323	3,670	3,246	1,490	1,971	1,955	2,337	1,718	1,793	2,184
Public protection	368	1,000	779	740	609	582	538	500	643	714
Public works	2,631	990	1,209	734	832	415	224	166	356	326
Community development	1,059	2,665	2,838	2,292	1,378	1,219	1,458	993	1,601	786
Library	-	37	43	63	43	43	44	43	47	48
Parks and recreation	1,286	1,698	1,660	1,637	1,360	1,479	1,404	1,241	1,245	1,269
Operating grants and contributions	7,968	2,287	2,391	2,596	3,369	2,686	2,341	2,300	2,236	1,927
Capital grants and contributions	6,861	8,737	12,830	10,559	3,131	5,359	4,216	5,025	6,737	5,122
Total governmental activities program revenues	20,496	21,084	24,996	20,111	12,693	13,738	12,562	11,986	14,658	12,376
Business-type activities:										
Charges for services:										
Electric	67,961	69,247	65,848	67,507	65,237	64,693	63,230	64,251	62,167	69,664
Wastewater	15,904	14,914	15,106	14,960	14,714	14,305	13,747	13,280	13,090	11,513
Water	13,345	13,005	12,474	12,161	12,723	12,756	12,441	12,083	11,940	11,716
Transit	216	227	220	210	230	203	185	186	195	217
Operating grants and contributions	8,261	5,969	4,514	5,089	5,186	4,431	5,178	4,214	3,983	3,449
Capital grants and contributions	2,092	11,307	7,972	2,860	5,284	2,846	4,715	3,206	5,150	1,408
Total business-type activities program revenues	107,779	114,669	106,134	102,787	103,374	99,234	99,496	97,220	96,525	97,967
Total primary government program revenues	128,275	135,753	131,130	122,898	116,067	112,972	112,058	109,206	111,183	110,343
<b>Net (Expense)/Revenue</b>										
Governmental activities	(43,198)	(48,327)	(35,956)	(40,244)	(40,546)	(40,815)	(38,598)	(39,405)	(37,203)	(42,757)
Business-type activities	12,040	13,709	10,139	11,617	12,056	9,885	55,703	4,971	9,119	11,381
Total primary government net expense	\$ (31,158)	\$ (34,618)	\$ (25,817)	\$ (28,627)	\$ (28,490)	\$ (30,930)	\$ 17,105	\$ (34,434)	\$ (28,084)	\$ (31,376)

**CITY OF LODI**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS (CONTINUED)**  
(Dollar amounts in thousands)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>General Revenues and Other Changes in Net Position:</b>										
Governmental activities:										
Taxes:										
Property	\$ 11,050	\$ 10,325	\$ 9,984	\$ 9,373	\$ 8,969	\$ 8,290	\$ 8,075	\$ 12,103	\$ 12,698	\$ 12,836
Special assessments <sup>1</sup>	139	44	-	-	-	-	-	-	-	-
Sales <sup>1</sup>	14,287	11,333	11,749	11,808	10,624	10,111	9,349	-	-	-
Document transfer <sup>1</sup>	5,399	5,147	4,903	4,572	4,559	4,315	4,176	-	-	-
Franchise	9,212	9,218	9,099	9,073	8,976	8,838	8,735	8,712	8,692	8,658
Business license	1,887	1,822	1,736	1,552	1,486	1,528	1,524	1,628	1,246	1,242
Transient occupancy	736	867	849	783	666	594	546	486	426	382
Grants and contributions not restricted to specific programs <sup>1</sup>	441	601	2	-	1	180	-	9,277	8,954	7,064
Investment earnings	1,576	311	257	326	145	203	44	132	133	155
Rent	1,553	-	-	1,954	1,942	1,906	1,370	-	-	-
Other	353	933	722	719	605	528	610	2,052	1,556	1,917
Special item-gain on sale of parkland	-	-	-	-	-	-	-	-	321	-
Transfers	4,233	4,252	4,051	4,469	7,514	4,792	5,682	1,261	6,657	5,868
<b>Total governmental activities</b>	<b>50,866</b>	<b>44,853</b>	<b>43,352</b>	<b>44,629</b>	<b>45,487</b>	<b>41,285</b>	<b>40,111</b>	<b>35,651</b>	<b>40,683</b>	<b>38,122</b>
Business-type activities:										
Investment earnings	1,584	716	816	952	632	757	497	566	575	731
Litigation- environmental lawsuits proceeds	-	-	-	100	-	-	1,107	-	-	300
Rent	-	-	-	4	4	4	-	-	-	-
Other	2,321	2,244	2,786	3,957	2,745	2,370	1,258	1,244	1,353	923
Special item-forgiveness of debt	-	-	-	-	-	-	-	-	-	-
Special item-swap termination	-	-	-	-	-	-	-	-	-	-
Transfers	(4,233)	(4,252)	(4,051)	(4,469)	(7,514)	(4,792)	(5,682)	(1,261)	(6,657)	(5,868)
<b>Total business-type activities</b>	<b>(328)</b>	<b>(1,292)</b>	<b>(449)</b>	<b>544</b>	<b>(4,133)</b>	<b>(1,661)</b>	<b>(2,820)</b>	<b>549</b>	<b>(4,729)</b>	<b>(3,914)</b>
<b>Total primary government</b>	<b>50,538</b>	<b>43,561</b>	<b>42,903</b>	<b>45,173</b>	<b>41,354</b>	<b>39,624</b>	<b>37,291</b>	<b>36,200</b>	<b>35,954</b>	<b>34,208</b>
<b>Change in Net Position</b>										
Governmental activities	7,668	(3,474)	7,396	4,385	4,941	470	1,513	(3,754)	3,480	(4,635)
Business-type activities	11,712	12,417	9,690	12,161	7,923	8,224	52,883	5,520	4,390	7,467
<b>Total primary government</b>	<b>\$ 19,380</b>	<b>\$ 8,943</b>	<b>\$ 17,086</b>	<b>\$ 16,546</b>	<b>\$ 12,864</b>	<b>\$ 8,694</b>	<b>\$ 54,396</b>	<b>\$ 1,766</b>	<b>\$ 7,870</b>	<b>\$ 2,832</b>

Source: City of Lodi Financial Services Division

<sup>1</sup> Certain tax amounts have been reclassified in fiscal year 2013.

**CITY OF LODI**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Dollar amounts in thousands)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011 <sup>(1)</sup>	2010
<b>General Fund</b>										
Reserved	\$ 10,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 389
Unreserved	-	-	-	-	-	-	-	-	-	3,896
Nonspendable	-	-	-	33	-	10	9	6	357	-
Committed	563	9,031	3,520	465	345	301	277	-	-	-
Assigned	-	-	-	1,564	26	29	65	50	136	-
Unassigned	11,172	9,737	11,448	11,185	12,107	9,134	7,614	6,233	5,654	-
<b>Total General Fund</b>	<b>22,452</b>	<b>18,768</b>	<b>14,968</b>	<b>13,247</b>	<b>12,478</b>	<b>9,474</b>	<b>7,965</b>	<b>6,289</b>	<b>6,147</b>	<b>4,285</b>
<b>All other governmental funds</b>										
Reserved	-	-	-	-	-	-	-	-	-	7,801
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	963
Debt service funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	3,649
Nonspendable	1	1	1	1	1	4	3	1	-	-
Assigned	8,979	-	-	-	-	-	-	-	-	-
Committed	716	-	-	-	-	-	-	-	-	-
Restricted	14,202	16,062	15,263	13,867	11,957	11,764	12,556	15,017	13,786	-
Unassigned	-	-	-	-	-	(99)	(512)	(863)	(846)	-
<b>Total all other governmental funds</b>	<b>23,898</b>	<b>16,063</b>	<b>15,264</b>	<b>13,868</b>	<b>11,958</b>	<b>11,669</b>	<b>12,047</b>	<b>14,155</b>	<b>12,940</b>	<b>12,413</b>
	<b>\$ 46,350</b>	<b>\$ 34,831</b>	<b>\$ 30,232</b>	<b>\$ 27,115</b>	<b>\$ 24,436</b>	<b>\$ 21,143</b>	<b>\$ 20,012</b>	<b>\$ 20,444</b>	<b>\$ 19,087</b>	<b>\$ 16,698</b>

(1) Implemented GASB 54 during the 2011 fiscal year changing the presentation of fund balance.

Source: City of Lodi Financial Services Division

**CITY OF LODI**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Dollar amounts in thousands)**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Revenues:</b>										
Taxes	\$ 28,423	\$ 27,423	\$ 26,491	\$ 25,327	\$ 24,631	\$ 23,719	\$ 23,022	\$ 22,928	\$ 23,061	\$ 23,118
*Sales and use tax	14,287	-	-	-	-	-	-	-	-	-
Licenses and permits	1,570	1,764	2,015	1,646	967	852	921	686	954	520
Intergovernmental revenues	9,213	20,807	23,975	21,083	17,557	17,392	14,625	15,289	12,579	12,579
Charges for services	6,558	6,020	5,722	5,830	3,827	3,558	3,880	3,427	3,946	4,116
Fines, forfeits, and penalties	1,274	1,396	906	1,495	1,573	1,557	1,632	1,357	1,407	1,444
Investment and rental income	2,994	2,325	2,319	2,155	2,029	2,025	1,389	1,264	817	923
Contributions and donations	-	-	818	-	282	1,003	-	-	689	-
Miscellaneous revenue	812	1,206	-	1,116	538	-	1,078	813	799	1,093
<b>Total revenues</b>	<b>65,131</b>	<b>60,941</b>	<b>62,246</b>	<b>58,652</b>	<b>51,404</b>	<b>50,106</b>	<b>46,547</b>	<b>45,764</b>	<b>44,252</b>	<b>43,793</b>
<b>Expenditures:</b>										
Current:										
General government	9,609	9,738	9,499	9,360	9,151	9,019	8,522	8,820	7,667	7,666
Public protection	31,949	30,788	30,201	28,821	26,646	27,093	26,282	25,249	24,489	24,466
Public works	5,452	4,628	4,608	4,070	4,508	4,393	4,532	4,174	3,715	4,383
Community development	2,112	1,756	1,651	1,601	1,226	1,192	1,111	1,037	969	1,013
Library	1,166	1,058	1,153	1,153	1,311	1,268	1,411	1,381	1,357	1,322
Parks and recreation	2,680	2,497	2,378	2,369	2,145	2,299	2,370	2,254	4,127	4,180
Capital outlay	3,380	8,296	11,592	13,117	9,842	7,652	6,271	2,961	9,377	5,108
Debt service:										
Interest	821	805	858	847	845	851	483	1,039	1,081	1,110
Principal payments	1,080	1,028	1,240	260	-	-	245	630	752	725
Advance refunding escrow	-	-	-	-	-	-	1,689	-	-	-
<b>Total expenditures</b>	<b>58,249</b>	<b>60,594</b>	<b>63,180</b>	<b>61,598</b>	<b>55,674</b>	<b>53,767</b>	<b>52,916</b>	<b>47,545</b>	<b>53,534</b>	<b>49,973</b>
Excess (deficiency) of revenues over (under) expenditures	6,882	347	(934)	(2,946)	(4,270)	(3,661)	(6,369)	(1,781)	(9,282)	(6,180)
<b>Other financing sources (uses):</b>										
Transfers in	13,201	13,863	11,723	13,310	15,599	11,596	12,546	14,486	11,881	11,173
Transfers out	(8,968)	(9,611)	(7,672)	(8,716)	(8,036)	(6,804)	(6,864)	(11,348)	(5,224)	(5,305)
Proceeds from sale	404	-	-	-	-	-	-	-	98	-
Refunding bonds issued	-	-	-	-	-	-	20,103	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(19,848)	-	-	-
Capital lease proceeds	-	-	-	563	-	-	-	-	-	-
Loan proceeds	-	-	-	468	-	-	-	-	-	-
Residual equity transfer	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>4,637</b>	<b>4,252</b>	<b>4,051</b>	<b>5,625</b>	<b>7,563</b>	<b>4,792</b>	<b>5,937</b>	<b>3,138</b>	<b>6,755</b>	<b>5,868</b>
Special item-sale of parkland	-	-	-	-	-	-	-	-	630	-
<b>Net change in fund balances</b>	<b>11,520</b>	<b>4,599</b>	<b>3,117</b>	<b>2,679</b>	<b>3,293</b>	<b>1,131</b>	<b>(432)</b>	<b>1,357</b>	<b>(1,897)</b>	<b>(312)</b>
Fund balances, beginning of year	34,831	30,232	2,651	(28)	(3,321)	(4,452)	(4,020)	(5,377)	(3,480)	(3,168)
<b>Fund balances, end of year</b>	<b>\$ 46,351</b>	<b>\$ 34,831</b>	<b>\$ 5,768</b>	<b>\$ 2,651</b>	<b>\$ (28)</b>	<b>\$ (3,321)</b>	<b>\$ (4,452)</b>	<b>\$ (4,020)</b>	<b>\$ (5,377)</b>	<b>\$ (3,480)</b>
Debt service as a percentage of noncapital expenditures	3.5%	3.5%	4.1%	2.3%	1.8%	1.8%	5.2%	3.7%	4.2%	4.1%

\*Sales and use tax separated in FY2019.

**CITY OF LODI**  
**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Dollar amounts in thousands)**

	Fiscal Year										% Change 2010 to 2019
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Property	\$ 11,050	\$ 10,043	\$ 9,744	\$ 9,151	\$ 8,810	\$ 8,314	\$ 7,955	\$ 7,861	\$ 8,285	\$ 8,342	5.80%
Sales and Use	14,286	11,333	11,750	11,809	10,625	10,111	9,350	9,246	8,663	6,873	26.40%
Transient Occupancy	735	867	849	783	666	594	545	486	426	382	114.33%
Franchise	2,128	2,059	1,915	1,990	1,942	1,862	1,758	1,734	1,715	1,681	96.19%
Documentary Transfer	230	281	240	223	159	155	120	91	95	117	92.12%
Motor Vehicle in Lieu	5,399	5,176	4,904	4,572	4,533	4,289	4,143	4,151	4,317	4,377	2.23%
Public Protection	441	401	378	365	362	341	325	295	250	267	11.88%
Business License	1,887	1,822	1,736	1,552	1,133	1,220	1,187	1,182	958	962	52.29%
In Lieu Franchise	7,197	7,159	7,131	7,082	7,033	6,977	6,977	6,977	6,977	6,977	-14.72%
<b>Totals</b>	<b>\$ 43,353</b>	<b>\$ 39,141</b>	<b>\$ 38,647</b>	<b>\$ 37,527</b>	<b>\$ 35,263</b>	<b>\$ 33,863</b>	<b>\$ 32,360</b>	<b>\$ 32,023</b>	<b>\$ 31,686</b>	<b>\$ 29,978</b>	<b>12%</b>

Note: General governmental tax revenues are included in taxes, licenses and permits, intergovernmental revenues and miscellaneous revenues.

**CITY OF LODI**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(Dollar amounts in thousands)**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Secured roll	\$ 6,566,183	\$ 6,174,155	\$ 5,603,023	\$ 5,394,659	\$ 5,156,704	\$ 4,895,091	\$ 4,737,807	\$ 4,738,823	\$ 4,907,588	\$ 4,986,693
Utility roll	1,901	2,300	2,300	3,490	3,490	3,490	2,382	2,382	2,423	2,423
Unsecured roll	247,608	258,680	254,946	250,160	257,856	230,827	233,398	226,651	270,600	270,315
Gross assessed value	6,815,692	6,435,135	5,860,269	5,648,309	5,418,050	5,129,408	4,973,587	4,967,856	5,180,611	5,259,431
Less exemptions (1)	338,170	345,179	334,485	331,562	326,833	324,439	327,783	314,448	321,138	332,701
<b>Net assessed value</b>	<b>\$ 6,477,522</b>	<b>\$ 6,089,956</b>	<b>\$ 5,525,784</b>	<b>\$ 5,316,747</b>	<b>\$ 5,091,217</b>	<b>\$ 4,804,969</b>	<b>\$ 4,645,804</b>	<b>\$ 4,653,408</b>	<b>\$ 4,859,473</b>	<b>\$ 4,926,730</b>
Land	\$ 1,971,712	\$ 1,873,216	\$ 1,711,208	\$ 1,601,581	\$ 1,469,347	\$ 1,364,401	\$ 1,227,969	\$ 1,264,884	\$ 1,322,830	\$ 1,345,815
Improvements	4,614,261	4,286,480	3,854,604	3,736,867	3,610,391	3,443,266	3,445,328	3,401,792	3,534,778	3,600,824
Personal property	229,719	275,439	294,457	309,861	338,312	321,741	300,290	301,180	323,003	312,792
Gross assessed value	6,815,692	6,435,135	5,860,269	5,648,309	5,418,050	5,129,408	4,973,587	4,967,856	5,180,611	5,259,431
Less exemptions (1)	338,170	345,179	334,485	331,562	326,833	324,439	327,783	314,448	321,138	332,701
<b>Net assessed value</b>	<b>\$ 6,477,522</b>	<b>\$ 6,089,956</b>	<b>\$ 5,525,784</b>	<b>\$ 5,316,747</b>	<b>\$ 5,091,217</b>	<b>\$ 4,804,969</b>	<b>\$ 4,645,804</b>	<b>\$ 4,653,408</b>	<b>\$ 4,859,473</b>	<b>\$ 4,926,730</b>
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - \$59,458 and other - \$279,025 = \$338,080

Note: In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed.

Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only assessed at the time that it is sold to a new owner. At that point, the property being sold is reassessed at the purchase price. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Auditor-Controller's Office  
California Municipal Statistics Inc

**CITY OF LODI**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS**

(Rate per \$100 of assessed value)

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<b>Fiscal Year</b>	<b>Basic Countywide Levy</b>	<b>City</b>	<b>School</b>	<b>All Other</b>	<b>Total</b>
2019	1.0000		0.0843	0.0225	1.1068
2018	1.0000	0.0000	0.0857	0.0180	1.1037
2017	1.0000		0.0371	0.0180	1.0551
2016	1.0000		0.0401	0.0198	1.0599
2015	1.0000		0.0425	0.0233	1.0658
2014 <sup>(1)</sup>	1.0000		0.0574	0.0000	1.0574
2013	1.0000		0.0646	0.0000	1.0646
2012	1.0000		0.0658	0.0000	1.0658
2011	1.0000		0.0626	0.0000	1.0626
2010	1.0000	0.0000	0.0575	0.0000	1.0575

Source: California Municipal Statistics, Inc.

San Joaquin County Tax Collector Website

Request from San Joaquin Audit Controllers Office

(1) Amounts restated based on new assessed value information provided.

**CITY OF LODI  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Dollar amounts in thousands)**

Fiscal Year

Taxpayer	2019		2010			
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
California Physicians Service Corp	\$ 606,537	1	9.364 %	\$ 51,083	4	1.098 %
Pacific Coast Producers	537,777	2	8.302	86,021	3	1.848
PACIFIC Cost Producers CORP	450,225	3	6.951	-	-	-
Big Box Property	423,248	4	6.534	-	-	-
Walmart	352,887	6	5.448	-	-	-
Winterfell Vintage	323,136	7	4.989	-	-	-
ConAgra/Cottage Bakery	281,230	8	4.342	-	-	-
PACIFIC Coast Producers Inc	252,962	9	3.905	-	-	-
Costco	224,504	10	3.466	-	-	-
North American Specialty Products LLC	-	-	0.000	-	-	-
Wine & Roses LLC	-	-	-	16,440	10	0.353
Calpurnia Associates LP	373,739	5	-	-	-	-
Panattoni, Carl D ETAL	-	-	-	-	-	-
Lodi Memorial Hospital Assn	-	-	-	155,179	1	3.334
General Mills	-	-	-	147,574	2	3.171
Cottage Bakery	-	-	-	39,950	5	0.858
Certainteed Corp	-	-	-	18,623	7	0.400
Dart Container Corp	-	-	-	18,446	8	0.396
Archer Daniels Midland Co Corp	-	-	-	16,935	9	0.364
Thule Hitch Systems	-	-	-	22,125	6	0.475
Lowe's	-	-	-	-	-	-
Principal Secured Property Valuation	3,826,245		59.070	572,376		12.299
Other Secured Taxpayers	2,739,938		42.299	4,414,317		94.850
Exemptions relative to secured tax roll	88,661		1.369	332,701		7.149
<b>Total Secured Property Valuation</b>	<b>\$ 6,477,522</b>		<b>100.000 %</b>	<b>\$ 4,653,992</b>		<b>100.000 %</b>

**CITY OF LODI**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
(Dollar amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percent of Levy (1)	Amount	Percent of Levy
2019	\$ 10,883	\$ 10,883	100.0%	\$ 10,883	100.0%
2018	10,222	10,222	100.0%	10,222	100.0%
2017	9,821	9,821	100.0%	9,821	100.0%
2016	9,117	9,117	100.0%	9,117	100.0%
2015	8,742	8,742	100.0%	8,742	100.0%
2014	8,353	8,353	100.0%	8,353	100.0%
2013	7,865	7,865	100.0%	7,865	100.0%
2012	7,754	7,754	100.0%	7,754	100.0%
2011	8,143	8,143	100.0%	8,143	100.0%
2010	8,291	8,291	100.0%	8,291	100.0%

(1) Per agreement with San Joaquin County, the County provides the City of Lodi with 100% of the amount owed to the City for secured properties, regardless of collection status. In exchange, the County is entitled to 100% of revenues collected for interest and penalties. This agreement is commonly referred to as the Teeter Plan.

Source: San Joaquin County Auditor/Controller's Office

**CITY OF LODI**  
**ELECTRICITY SOLD BY TYPE OF CUSTOMER**  
**LAST TEN FISCAL YEARS**

Type of Customer	Billed Accounts									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
City Accounts	248	223	217	213	212	207	204	195	197	189
Contract Large Industrial	-	-	-	-	-	-	-	-	-	-
Contract Medium Industrial	-	-	-	-	-	-	-	-	-	-
Contract Small Industrial	-	-	-	-	-	-	-	-	-	-
Domestic Residential	22,228	22,041	21,917	22,497	22,393	22,623	22,541	22,361	22,360	22,525
Domestic Mobile Home Park	13	13	13	13	13	13	13	13	13	13
Dusk to Dawn	91	92	85	85	88	89	88	92	89	89
Industrial	-	43	-	-	-	-	-	-	-	-
Large Commercial	383	96	355	348	337	339	344	336	350	357
Large Industrial	69	55	35	44	41	39	40	38	40	39
Medium Commercial	-	375	-	-	-	-	-	-	-	-
Medium Industrial	14	10	10	11	12	11	11	9	9	9
Residential Low Income	2,796	2,539	2,669	2,688	2,798	2,788	2,582	2,531	2,258	2,193
Small Commercial	2,795	3,148	3,434	3,416	3,332	3,367	3,358	3,340	3,324	3,280
Small Industrial	11	N/A	10	11	7	8	9	11	11	10
<b>Total</b>	<b>28,648</b>	<b>28,635</b>	<b>28,745</b>	<b>29,326</b>	<b>29,233</b>	<b>29,484</b>	<b>29,190</b>	<b>28,926</b>	<b>28,651</b>	<b>28,704</b>

Notes:

“Large commercial” previously had medium commercial combined now “Medium Commercial” stated separately.

Small, Medium, Large Industrial now combined into one “Industrial”.

Source: City of Lodi Financial Services Division  
 Intranet Dashboard Stats Util by Month and Sch

**CITY OF LODI**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
(Dollar amounts in thousands, except per capita)

Fiscal Year	Governmental Activities				Total Governmental Activities	Certificates of Participation and Revenue Bonds	Notes/ Loan Payable	Business-type Activities			
	Lease Revenue Bonds	Loan Payable	Notes Payable	Capital Lease				Total Business-type Activities	Total Primary Government	Percent of Personal Income (1)	Per Capita (1)
2019	\$ 16,885	\$ 193	\$ -	\$ 331	17,409	\$ 121,566	\$887	122,453	139,862	5.03 %	\$ 2,049
2018	17,839	286	-	410	18,535	125,062	1,096	126,158	144,693	5.56	2,156
2017	18,753	378	-	487	19,618	138,193	1,300	139,493	159,111	6.41	2,484
2016	19,637	468	245	562	20,912	143,417	1,500	144,917	165,829	7.26	2,623
2015	19,950	-	245	-	20,195	149,767	-	149,767	169,962	7.67	2,667
2014	20,004	-	245	-	20,249	157,297	-	157,297	177,546	8.45	2,789
2013	20,058	-	245	-	20,303	167,743	-	167,743	188,046	9.64	2,988
2012	21,025	-	245	-	21,270	173,241	-	173,241	194,511	10.07	3,096
2011	21,655	-	245	-	21,900	178,827	-	178,827	200,727	10.67	3,213
2010	22,265	-	245	-	22,510	144,165	1,409	145,574	168,084	8.49	2,645

Details regarding the City's outstanding debt can be found in Note 7 of these financial statements.

(1) See Demographic and Economic Statistics table for personal income and population.

Source: City of Lodi Financial Services Division

**CITY OF LODI**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

(Dollar amounts in thousands, except per capita)

Fiscal Year	Lease Revenue Bonds	Less Amounts Available for Debt Service	Net	Percent of Assessed Value (1) of Property	Per Capita
2019	\$ 16,885		\$ 16,885	\$ 0.3	\$ 247.32
2018	17,839	-	17,839	0.3	265.77
2017	18,753	-	18,753	0.4	292.75
2016	19,637	-	19,637	0.4	310.62
2015	19,950	-	19,950	0.4	313.09
2014	20,004	-	20,004	0.4	314.28
2013	20,058	10	20,048	0.4	318.58
2012	21,025	1,692	19,333	0.4	307.73
2011	21,655	1,692	19,963	0.4	319.55
2010	22,265	1,692	20,573	0.4	323.73

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Source: City of Lodi Financial Services Division

**CITY OF LODI**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
**(Dollar amounts in thousands)**

	FISCAL YEAR									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Assessed valuation (1)	\$ 6,536,577	\$ 6,156,110	\$ 5,585,242	\$ 5,377,266	\$ 5,152,666	\$ 4,867,731	\$ 4,709,916	\$ 4,718,766	\$ 4,926,130	\$ 4,995,362
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,634,144	1,539,028	1,396,311	1,344,317	1,288,167	1,216,933	1,177,479	1,179,692	1,231,533	1,248,841
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	245,122	230,854	209,447	201,647	193,225	182,540	176,622	176,954	184,730	187,326
Total net debt applicable to limit	16,885	17,839	18,753	19,637	19,950	20,004	20,048	19,333	19,963	20,573
Legal debt margin	\$ 228,237	\$ 213,015	\$ 190,694	\$ 182,010	\$ 173,275	\$ 162,536	\$ 156,574	\$ 157,621	\$ 164,767	\$ 166,753
Total net debt applicable to the limit as a percent of debt limit	6.9%	7.7%	9.0%	9.7%	10.3%	11.0%	11.4%	10.9%	10.8%	11.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1982 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computation shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time the legal debt margin was enacted by the State of California for local governments located within the state.

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - \$59,055

Source: San Joaquin County Auditor/Controller's Office  
California Municipal Statistics Inc.

**CITY OF LODI**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**June 30, 2019**

		<b>Total Debt</b>	<b>Percentage Applicable (1)</b>	<b>City's Share of Debt</b>
<b>OVERLAPPING DEBT:</b>				
San Joaquin Community College District	\$ 198,475,000	7.579	%	\$ 15,042,420
Lodi Unified School District		145,245,000	36.004	52,294,010
San Joaquin County Certificates of Participation		81,070,000	8.28	6,712,596
Lodi Unified School District Certificates of Participation		14,170,000	36.004	5,101,767
<b>SUBTOTAL OVERLAPPING DEBT</b>				<u>79,150,793</u>
<b>DIRECT DEBT:</b>				
16,230,000				
City of Lodi Lease Revenue Bonds		16,884,930	100.00	16,884,930
City of Lodi - Loan payable		192,665	100.00	192,665
City of Lodi -Capital lease		331,326	100.00	331,326
<b>SUBTOTAL DIRECT DEBT</b>				<u>17,408,921</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT(2)</b>				<u>\$ 96,559,714</u>
2018-19 Gross Assessed Valuation	\$ 6,149,013,174			
2018-19 Population	68,272			
<b>DEBT RATIOS</b>		<b>Total Gross Debt</b>	<b>Per Capita</b>	<b>Value</b>
		96,559,714	1,414	1.57%

(1) Percent of overlapping agency's assessed valuation located within the boundaries of the City.

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

SOURCE: California Municipal Statistics, San Francisco, CA

San Joaquin County Auditors-Controller Office

State of California, Department of Finance, Demographic Research Unit

**CITY OF LODI**  
**PLEDGED-REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
(Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest (3)	Total	
<b>Electric Revenue Certificates of Participation</b>							
2019	\$ 69,846	\$ 58,916	\$ 10,930	\$ -	\$ 1,497	\$ 1,497	7.30
2018	73,505	50,317	23,188	2,510	2,788	5,298	4.38
2017	67,815	52,259	15,556	2,390	2,898	5,288	2.94
2016	70,440	51,205	19,235	5,195	3,094	8,289	2.32
2015	67,132	52,116	15,016	4,960	3,358	8,318	1.81
2014	67,144	50,349	16,795	4,750	3,606	8,356	2.01
2013	63,974	51,209	12,765	4,575	3,839	8,414	1.52
2012	65,220	50,164	15,056	3,270	4,021	7,291	2.07
2011	63,307	48,397	14,910	3,080	4,152	7,232	2.06
2010	70,288	49,949	20,339	2,920	4,274	7,194	2.83
<b>Wastewater Certificates of Participation and Revenue Bonds</b>							
2019	\$ 17,864	\$ 8,301	9,563	\$ 1,753	1,573	3,326	2.88
2018	19,317	7,302	12,015	1,650	954	2,604	4.61
2017	16,707	10,128	6,579	1,575	1,492	3,067	2.15
2016	16,941	7,237	9,704	1,535	2,131	3,666	2.65
2015	15,845	6,335	9,510	1,500	2,172	3,672	2.59
2014	15,186	6,003	9,183	4,610	2,294	6,904	1.33
2013	14,305	5,674	8,631	1,500	2,560	4,060	2.13
2012	13,787	6,659	7,128	1,430	2,688	4,118	1.73
2011	16,508	5,972	10,536	1,370	2,748	4,118	2.56
2010	12,284	6,180	6,104	1,320	2,832	4,152	1.47
<b>Water Revenue Bonds</b>							
2019	\$ 15,509	\$ 7,173	\$ 8,336	\$ 980	\$ 1,368	\$ 2,348	3.55
2018	17,187	10,895	6,292	950	1,356	2,306	2.73
2017	13,844	7,733	6,111	915	1,393	2,308	2.65
2016	13,025	6,801	6,224	870	1,482	2,352	2.65
2015	13,370	5,815	7,555	850	1,506	2,356	3.21
2014	14,166	6,835	7,331	825	1,530	2,355	3.11
2013	13,367	6,899	6,468	800	1,535	2,335	2.77
2012	13,275	5,392	7,883	775	1,530	2,305	3.42
2011	14,051	5,662	8,389	1,409	874	2,283	3.67

Includes all nongeneral obligation long-term debt backed by pledged revenues.

Details regarding the City's outstanding debt can be found in Note 8 to the basic financial statements.

- (1) Total operating revenues including investment earnings, operating grants, capital contributions (including developer impact fees) and other revenue.
- (2) Total operating expenses including cost of services paid to the General Fund and excluding in-lieu fees, depreciation and amortization.
- (3) Net of Build America Bonds interest subsidy - Water Revenue Bonds.

**CITY OF LODI**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Square Miles</b>	<b>City Population</b>	<b>Population Percent Change</b>	<b>San Joaquin County Population</b>	<b>Population Percent of County</b>	<b>Rank in Size of California Cities</b>	<b>Personal Income (millions of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2019	13.98	68,272	0.8%	770,385	8.9%	134	\$ 2,779	\$ 40,707	6.1%
2018	13.98	67,121	0.7%	758,744	8.8%	136	2,602	38,769	6.9%
2017	13.98	64,058	0.7%	746,868	8.6%	139	2,483	38,769	6.9%
2016	13.98	63,219	0.7%	733,383	8.6%	139	2,284	36,136	7.8%
2015	13.98	63,719	0.4%	719,511	8.9%	138	2,215	34,755	7.8%
2014	13.98	63,651	0.2%	710,731	9.0%	135	2,102	33,024	8.8%
2013	13.98	62,930	0.2%	698,414	9.0%	137	1,952	31,013	9.0%
2012	13.98	62,825	0.8%	695,750	9.0%	136	1,931	30,732	11.3%
2011	13.92	62,473	0.6%	690,899	9.0%	135	1,882	30,132	13.4%
2010	13.92	63,549	0.6%	694,293	9.2%	136	1,980	31,166	13.3%

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area.

In computing per capita personal income, Bureau of Economic analysis uses the Census Bureau's annual midyear population estimates.

Source: State of California, Department of Finance, Demographic Research Unit and Department of Labor.

**CITY OF LODI**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Employer	Current			Nine Years Ago			<u>Labor Force</u>
	Employees	Rank	Percent	Employees	Rank	Percent	
			of Total City Employment			of Total City Employment	
Lodi Unified School District	2,109	1	7.13 %	3,301	1	11.15 %	29,600
Pacific Coast Producers	1,350	2	4.56	1,200	2	4.05	29,600
Adventist Health Lodi Memorial *	1,270	3	4.29	1,360	3	4.59	29,600
Blue Shield of CA	901	4	3.04	850	4	2.87	29,600
Walmart Supercenter **	410	5	1.39	285	9	0.96	29,600
City of Lodi	381	6	1.29	457	7	1.54	29,600
TreeHouse formerly known as Cottage Bakery	301	7	1.02	700	5	2.36	29,600
Costco Wholesale	256	8	0.86			0.00	29,600
Farmers & Merchant Bank	204	9	0.69	336	8	1.14	29,600
Frank c Alegre Trucking Inc	200	10	0.68			0.00	29,600
General Mills (3)	-		-	494	6	1.67	29,600
Target	-		-	165	10	0.56	29,600
<b>Total</b>	<b>7,382</b>		<b>24.94</b>	<b>9,148</b>		<b>30.35</b>	

Note: Principal employers are based on the best available information.

Source: MuniServices, LLC / an Avenu Insights & Analytics Company

Results based on direct correspondence with city's local businesses.

\* Count includes FTE, PTE, Temporary & Seasonal Employees.

\*\* No response from employer, previous number applied.

(1) Prior year data provided by previous published CAFR.

(2) Total City Labor Force provided by EDD Labor Force Data.

(3) General Mills permanently closed.

**CITY OF LODI**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES  
BY DEPARTMENT - LAST TEN FISCAL YEARS**

Department:	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011*	2010
Administration	9	9	10	10	10	10	10	12	13	31
Community Development	11	11	11	11	11	9	9	9	13	13
Electric	52	52	51	49	44	43	40	40	41	51
Financial Services	-	-	-	-	-	-	-	-	-	24
Fire	53	53	54	54	57	53	53	54	64	64
Internal Services	31	31	32	31	31	31	31	29	35	
Library	7	7	7	10	11	10	11	12	14	14
Parks and Recreation	-	-	-	-	-	-	-	-	-	31
Parks, Recreation and Cultural Services	24	24	24	26	28	27	27	29	37	-
Police	103	103	103	102	107	104	104	103	125	125
Public Works	101	101	101	100	97	95	92	93	98	102
<b>Total</b>	<b>391</b>	<b>390</b>	<b>393</b>	<b>393</b>	<b>396</b>	<b>382</b>	<b>377</b>	<b>381</b>	<b>440</b>	<b>455</b>

Community Center, Human Resources and Information Systems were previously included in Administration. Budget, Financial Services,

Human Resources and Information Services are now Internal Services.

Community Center, Parks & Recreation are now Parks, Recreation and Cultural Services.

Source: City of Lodi Budget Document

**CITY OF LODI**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT**  
**LAST TEN FISCAL YEARS**

	Fiscal Year			
	2019	2018	2017	2016
General government:				
Building permits issued	2,502	2,699	2,447	2,482
Business tax certificates:				
Retail sales and service	3,014	2,137	2,443	2,288
Manufacturers and processors	87	75	76	78
Professions	330	294	308	316
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1,986	1,232	949	1,268
Utility billing/customer service:				
Number of customers	24,576	24,259	26,018	26,034
Energy sales (KWH)	410,566,814	425,157,874	425,410,574	437,246,335
Peak demand (MW)	118	130.9	129	124
Public safety:				
Police:				
Major reported crimes	1,943	2,062	2,025	3,068
Total arrests	3,611	3,460	4,226	4,083
Dispatched calls for service	37,806	37,301	37,866	40,390
Fire:				
Interior structure fire calls	70	56	51	33
Non-structural fire calls	255	235	177	154
Hazardous materials calls	87	55	90	73
Emergency medical calls	3,915	5,364	3,572	3,123
Total emergency calls	7,600	6,996	5,869	5,238
Total number of units dispatched	7,701	8,230	7,225	7,430
Public works:				
Miles of streets resurfaced	3	0	6	6
Fleet job orders completed	1,866	1,744	2,129	2,162
Trees planted	500	372	135	135
Water utility:				
New connections	290	180	205	69
Water main breaks	1	2	2	3
Wastewater utility:				
Average daily treatment (million gal/day)	4.6MG	4.5MG	4.65MG	4.6MG
Library:				
Registered borrowers	67,334	63,631	64,742	60,362
Circulation of library materials	168,793	162,796	187,853	199,096
Reference, research and informational questions answered	11,296	9,852	9,695	11,109
Annual attendance at libraries	231,391	225,558	231,602	245,936
Number of programs offered	715	789	764	456
Annual attendance at programs	18,825	24,682	23,960	15,452
Public access computer usage	27,603	25,825	31,205	34,071
Community center:				
Community center bookings	809	595	597	758
Instructional classes	616	438	554	518
Registered students	2,546	2,695	3,010	2,744
Yearly attendance	14,220	11,011	13,925	13,925
Parks and recreation:				
CITY after school program	2,950/4	2,705/4	1,964/4	1,898/4
LUSD After School Program	9,867/10	12,985/13	13,016/3	12,318/13
Camps	63 1/3	70 2/3	103	67
Adult sports				
Program/Participation	2,045	1,990	1,895	1,976
Programs offered	14	14	14	15
Partnerships	2	2	2	2
Tournaments	7	4	6	8
Youth/Teen sports				
Program attendance	3,517	3,480	3,496	3,652
Programs offered	18	11	18	18
Aquatics				
Program attendance	18,202	26,571	28,974	28,195
Number of programs	12	8	14	14

**CITY OF LODI**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT**  
**LAST TEN FISCAL YEARS (CONTINUED)**

Fiscal Year					
2015	2014	2013	2012	2011	2010
2,404	2,404	1,578	1,461	2,022	1,709
2,281	2,281	2,526	2,485	2,530	2,406
23	23	78	77	76	80
323	323	362	364	371	373
1,256	1,256	1,456	1,362	1,357	1,312
25,912	25,912	23,927	23,761	23,575	25,573
438,780,911	438,780,911	435,822,465	435,655,731	421,130,329	434,200,987
134	134	122	116	116	120
2,268	2,268	2,643	3,573	2,885	2,377
3,690	3,690	3,825	4,350	4,410	4,238
35,992	35,992	50,124	46,756	52,061	51,870
32	32	67	57	56	47
143	143	209	163	121	123
65	65	58	41	69	70
3,418	3,418	3,882	3,820	3,752	3,494
3,666	3,666	5,823	5,620	5,753	5,385
5,727	5,727	7,954	7,855	7,835	7,390
6	6	6	6	6	3
2,500	2,500	1,803	1,953	2,810	3,303
135	135	131	131		
8	8	8	7	8	17
16	16	14	10	8	6
4.6MG	4.6MG	5.10MG	5.5MG	6.5MG	6.5MG
58,824	58,824	51,594	47,147	43,927	39,199
197,673	197,673	215,293	217,742	248,250	251,967
13,189	13,189	16,270	14,463	16,234	16,501
		224,762	222,148	210,279	207,123
432	432	407	432	388	344
12,888	12,888	14,443	12,993	13,133	10,676
34,071	41,180	45,871	47,428	58,990	52,124
794	769	718	698	926	789
500	553	580	307	536	583
2,586	3,269	2,819	3,713	3,438	3,525
13,925	13,925	13,925	13,925	14,217	13,355
1,679/4	1,630/4	1,811/4	1,783/4	1,680/4	1,630/4
12,001/13	12,878/13	11,800/13	8,285/9	10,275/11	9,296/10
74	89	45	71	61	65
2,106	2,082	2,246	2,420	2,528	2,528
18	17	16	15	16	16
2	2	2	3	5	5
10	5	6	12	7	7
3,621	3,672	3,643	3,889	4,251	4,251
18	18	19	24	16	16
28,009	27,731	23,414	34,366	32,566	32,566
15	13	13	25	13	13

Source: City of Lodi

**CITY OF LODI**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT**  
**LAST TEN FISCAL YEARS**

	Fiscal Year			
	2019	2018	2017	2016
General government:				
Total square miles	13.98	13.98	13.98	13.98
Public safety:				
Police:				
Facilities:				
Stations	1	1	1	1
Animal control facility	1	1	1	1
Police training facility (pistol range)	1	1	1	1
Vehicles:				
Marked patrol cars	21	23	23	23
Motorcycles and scooters	5	6	7	7
Animal control vehicles	2	2	2	2
Other automobiles	36	37	37	37
Fire:				
Facilities:				
Fire stations	4	4	4	4
Vehicles:				
Fire engines	6	6	7	6
Trucks/Trailers	5	5	8	6
Other automobiles	5	8	5	11
Public works:				
Miles of streets	19	190	202	202
Miles of alley ways	12	12	16	16
Traffic signals	69	69	68	67
Street lights	7,739	7,697	7,270	7,270
Parks and recreation:				
Parks and squares	28	28	26	26
Park acreage	367	366	361	361
Boating facilities - launch lanes	1	1	1	1
Senior center	1	1	1	1
Community Centers	1	1	1	1
Swimming pools	4	4	4	4
Baseball/softball diamonds	20	20	20	20
Tennis courts	11	11	11	11
Skateboard park	1	1	1	1
Playgrounds	20	17	20	20
Ballpark	24	24	24	24
Soccer Field	22	22	22	22
Football Field	1	1	1	1
Handball/Basketball/Volleyball Courts/ Bocce Courts	15	12	12	12
Horseshoe Pits	9	8	8	8
Library:				
Central library	1	1	1	1
Total items in collection	110,000	111,544	125,730	130,657
Integrated library system	1	1	1	1
Microfilm readers	0	0	0	0
Microfilm readers/printers	0	0	1	1
Self check out machines	3	3	3	3
Electric utility:				
Overhead lines 12kv (miles)	117	117.19	117	117
Overhead lines 60kv (miles)	14	13.56	14	14
Underground lines (miles)	129	128.36	123	121
Water utility:				
Water main lines	245	245	243	240
Water storage capacity (gallons)	4,100,000	4,100,000	4,100,000	4,100,000
Water wells	28	28	28	28
Water reservoirs	3	3	3	3
Water Treatment Plant	1	1	1	1
Wastewater utility:				
Wastewater main lines (miles)	203	203	196	196
Treatment capacity	8.5MG	8.5MG	8.5MG	8.5 MG
Wastewater treatment plant	1	1	1	1
Wastewater Pump Stations	13	13	9	9
Stormwater utility:				
Stormwater main drain lines (miles)	130	130	128	126
Stormwater pump stations	17	17	16	16
Central parking district:				
Parking structure	1	1	1	1
Parking spaces	2,450	2,450	2,450	2,450
Parking lots	25	25	25	25

Source: City of Lodi Departments

**CITY OF LODI**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT**  
**LAST TEN FISCAL YEARS (CONTINUED)**

Fiscal Year						
2015	2014	2013	2012	2011	2010	
13.98	13.98	13.98	13.98	13.92	13.92	
1	1	1	1	1	1	
1	1	1	1	1	1	
1	1	1	1	1	1	
23	23	23	23	23	23	
7	5	5	5	5	5	
2	2	2	2	2	2	
37	37	37	37	37	37	
4	4	4	4	4	4	
6	6	6	6	7	7	
6	6	6	5	5	6	
11	11	11	9	8	10	
202	202	202	202	202	202	
16	16	16	16	16	16	
67	67	67	67	67	62	
7,270	7,270	7,270	7,270	7,270	7,270	
26	26	26	26	26	26	
361	361	361	373	373	373	
1	1	1	1	1	1	
1	1	1	1	1	1	
1	1	1	1	1	1	
4	4	4	4	4	4	
20	20	20	24	24	24	
11	11	11	11	11	11	
1	1	1	1	1	1	
20	20	20	22	25	25	
24	24	24	24	24	24	
22	22	22	22	22	22	
1	1	1	1	1	1	
12	12	12	10	10	10	
8	8	8	8	6	6	
1	1	1	1	1	1	
119,554	148,287	149,243	135,113	134,804	130,530	
1	1	1	1	1	1	
1	1	1	1	1	1	
1	1	1	1	1	1	
2	2	2	2	2	2	
117	117	133	133	133	130	
14	14	14	14	13	13	
118	115	159	159	157	155	
236	236	236	236	236	237	
4,100,000	4,100,000	4,100,000	1,100,000	1,100,000	1,100,000	
28	28	28	27	27	26	
3	3	3	2	2	2	
0	0	0	0	0	0	
196	196	196	196	196	191	
8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	
1	1	1	1	1	1	
0	0	0	0	0	0	
124	124	124	124	124	124	
14	14	14	14	14	14	
1	1	1	1	1	1	
2,450	2,450	2,453	2,453	2,453	2,453	
25	25	25	25	25	25	

Source: City of Lodi Departments

## **CONTINUING DISCLOSURES**

### **UNAUDITED**

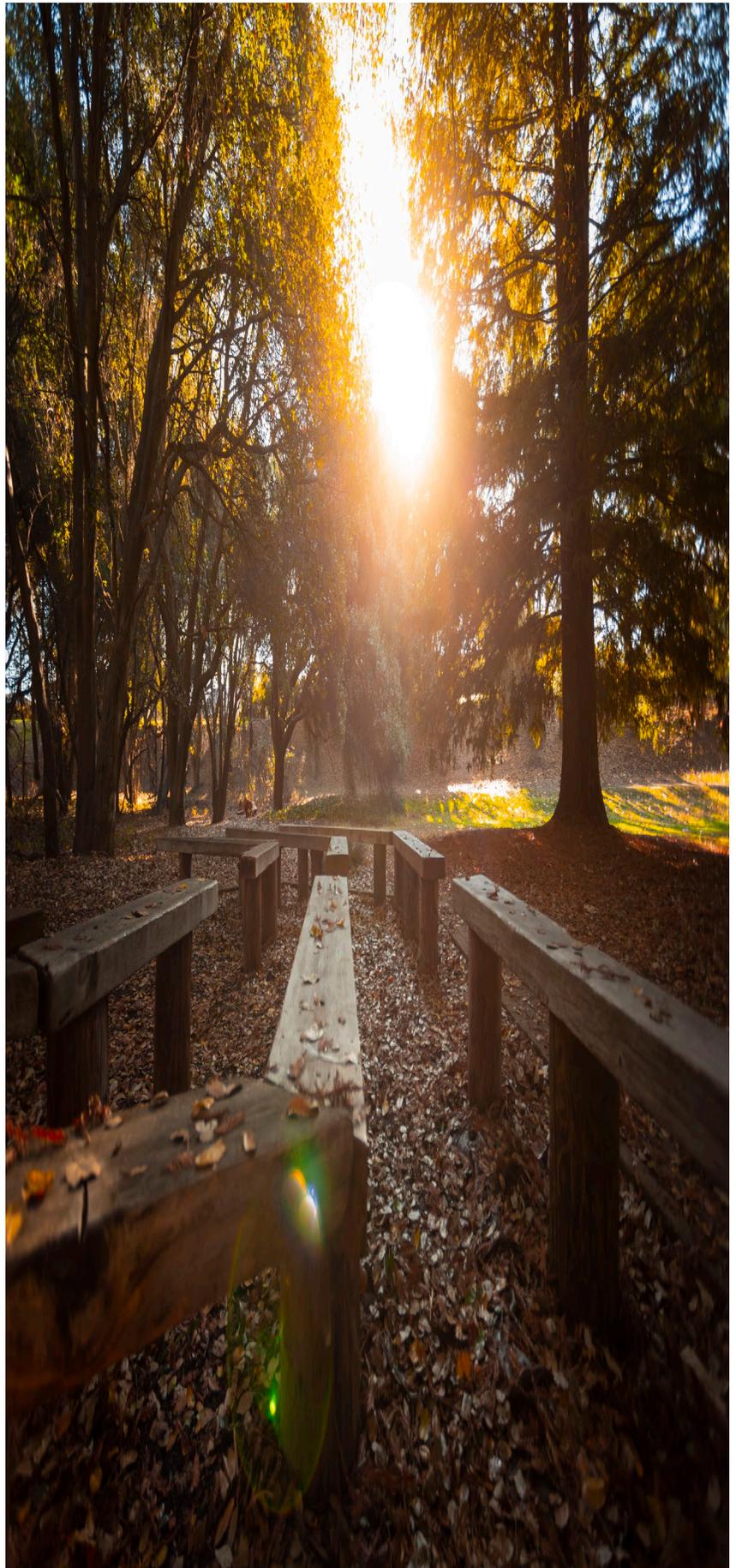
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#### **CONTINUING DISCLOSURE REQUIREMENTS FOR THE CITY OF LODI, THE LODI PUBLIC IMPROVEMENT CORPORATION AND THE LODI PUBLIC FINANCING AUTHORITY**

#### **FISCAL YEAR 2018-2019**

The City of Lodi has executed Continuing Disclosure Certificates associated with the various debt issues outstanding by the Electric Utility, Wastewater Utility, Water Utility, the Lodi Public Improvement Corporation and the Lodi Public Financing Authority. These Certificates were executed to satisfy provisions of Securities and Exchange Commission Rule 15c2-12(b) (5). The material provided herein applies to the various debt issues as noted. Data for each utility is shown separately.

This Bond Disclosure Section included within the City's Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Certificates. The CAFR, in turn, will be filed with the Municipal Securities Rulemaking Board. The CAFR may also be found on the City's website at [www.lodi.gov](http://www.lodi.gov).



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## Annual Report for Electric Utility (Unaudited)

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The Lodi Electric Utility (LEU) has Continuing Disclosure requirements associated with its 2018 Electric System Revenue Refunding Bonds. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Electric Utility).

The annual report also contains the following four (4) tables to reflect the most recently completed fiscal year as required in the Bonds:

1. Electric System Power Supply Resources
2. Electric System Customers, Sales, Revenues and Peak Demand
3. Outstanding Debt of Joint Powers Agencies
4. Historical Operating Results

### Reporting of Significant Events

The Bonds identify sixteen (16) specific events that require special reporting. As of June 30, 2019, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Bonds.

## Annual Report for Electric Utility (Unaudited)

**Table 1** A table setting forth the City's power supply resources.

CITY OF LODI ELECTRIC UTILITY DEPARTMENT POWER SUPPLY RESOURCES For the Fiscal Year Ended June 30, 2019			
Source	Capacity Available (MW) <sup>(1) (4)</sup>	Annual Energy (MWh)	% of Total Energy
Purchased Power <sup>(2)</sup> :			
Western	5.4	25,006	5.6%
NCPA			
Geothermal Project	14.8	77,689	17.4%
Hydroelectric Project	26.2	88,243	19.7%
Combustion Turbine Project No. 1	9.5	1,507	0.3%
Capital Facilities, Unit One	19.6	5,827	1.3%
Lodi Energy Center	28.7	131,319	29.4%
Contracts and Exchanges <sup>(3)</sup>	31.7	117,815	26.3%
Total	135.90	447,406	100.00%
Total Capacity and Energy Sold at Wholesale	N/A	22,223.00	
City System Requirement for Retail Load <sup>(5)</sup>	117.9	425,183.00	

(1) Source: NCPA Annual Resource Adequacy Filings.

(2) Entitlements, firm allocations and contracts.

(3) Includes participation in Astoria 2 Solar Project, Seattle City Light Exchange, and NCPA contracts.

(4) Includes supply from exchanges and line losses.

(5) NCPA All Resources Bill.

## Annual Report for Electric Utility (Unaudited)

**Table 2** A table showing the average number of customers, sales, revenues and demand for the past five fiscal years (2).

<b>CITY OF LODI</b>		
<b>ELECTRIC UTILITY DEPARTMENT</b>		
<b>Consumer Sales, Revenue, and Demand</b>		
	Fiscal Year Ended June 30	Fiscal Year Ended June 30
	2019	2018
<b>Number of Customers:</b>		
Residential	23,480	23,145
Commercial	3,104	3,075
Industrial	41	41
Other	173	169
Total Customers	26,798	26,430
<b>Kilowatt Hour (kWH) Sales:</b>		
Residential	147,116,802	155,539,509
Commercial	148,133,314	144,244,913
Industrial	104,931,881	115,066,917
Other	10,384,817	10,306,535
Total kWH sales	410,566,814	425,157,874
<b>Revenues from Sales of Energy <sup>(1)</sup>:</b>		
Residential	27,702,390	27,967,919
Commercial	25,081,515	25,105,915
Industrial	13,908,500	14,877,597
Other	1,268,946	1,295,278
Total Revenues from Sale of Energy:	67,961,351	69,246,709
<b>Peak Demand (MW)</b>	117.9	130.9

(1) Excludes revenues from California Energy Commission Tax.

(2) Only two year comparison shown. Will show five fiscal years when point in time is reached.

## Annual Report for Electric Utility (Unaudited)

**Table 3** A table showing the average number of customers, sales, revenues and demand for the fiscal year.

CITY OF LODI ELECTRIC UTILITY DEPARTMENT OUTSTANDING DEBT OF JOINT POWERS AGENCIES (Dollar Amounts in Millions) For the Fiscal Year Ended June 30, 2019			
	Outstanding Debt (1)	Lodi's Participation (2)	Lodi's Share of Outstanding Debt
NCPA			
Geothermal Project Three	\$ 25.00	10.28%	\$ 2.50
Hydroelectric Project	278.00	10.37%	29.60
Capital Facilities Project Unit One	30.00	39.50%	11.70
Lodi Energy Center Project	221.00	9.50%	37.60
Combustion Turbine	-	13.39%	-
Transmission Project	-	20.61%	-
TANC (4)	2.60	2.07%	0.05
TOTAL*	\$ 556.60	14.63%	\$ 81.45

\*Columns may not add to totals due to independent rounding.

(1) Source: NCPA.

(2) Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without the written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.

(3) Participation obligation combined percentage of Generation Entitlement Share adjusted for other NCPA member opt-out and subsequent defeasance.

(4) The City is responsible for 2.07% of TANC's South of Tesla debt service of approximately \$70,200 per year.

## Annual Report for Electric Utility (Unaudited)

**Table 4** A table showing a summary of operating results for the past two fiscal years.

<b>CITY OF LODI</b>			
<b>ELECTRIC SYSTEM</b>			
<b>Summary of Operating Results <sup>(1)</sup></b>			
<b>Ending Fiscal Year June 30 (Dollars in 000s)</b>			
	Actual 2019 <sup>(3)</sup>	Actual 2018 <sup>(3)</sup>	
<b>Operating Revenues</b>			
Beginning Reserves <sup>(4)</sup>	\$ 26,573	\$ 26,642	
Rate Revenue	63,776	65,054	
ECA Revenue	4,186	4,192	
Other Revenue <sup>(5)</sup>	4,155	3,475	
<b>Total Operating Revenue</b>	<b>72,117</b>	<b>72,721</b>	
<b>Operating Expenses</b>			
Purchased Power	37,043	39,519	
Non-Power Costs <sup>(2)</sup>	14,289	16,422	
<b>Total Operating Expenses</b>	<b>51,332</b>	<b>55,941</b>	
<b>Net Revenue Available for Debt Service</b>	<b>20,785</b>	<b>16,780</b>	
<b>Parity Debt Service</b>			
2008 Bonds	-	5,298	
2018 Bonds	1,497	-	
<b>Total Net Debt Service</b>	<b>1,497</b>	<b>5,298</b>	
<b>Debt Service Coverage <sup>(4)</sup></b>	<b>13.88</b>	<b>3.17</b>	
Remaining Revenue Available for Other Purposes	19,288	11,482	
<b>Non-Operating Revenue/Expenses</b>			
Greenhouse gas allowance	94	559	
Impact Fees	245	138	
In-Lieu Transfer to General Fund	(7,197)	(7,159)	
PERS Stabilization Contribution	(204)	(603)	
<b>Net Cash Flow Before Capital Expenditures</b>	<b>38,799</b>	<b>31,059</b>	
Net change in Balance Sheet Accounts	272	(1,768)	
Capital Funded from Rates	(2,061)	(2,718)	
<b>Ending Reserves <sup>(6)</sup></b>	<b>\$ 37,010</b>	<b>\$ 26,573</b>	

Source: City of Lodi

(1) As defined in the Installment Purchase Contract, this may or may not be on the same basis as Generally Accepted Accounting Principals

(2) Non-power costs include cost of services provided by other departments and does not include depreciation and amortization expense.

(3) Only two year comparison shown. Will show five fiscal years when point in time is reached.

(4) The calculation of Debt Service Coverage does not include Available Reserves as permitted by the 2018 Installment Purchase Agreement.

(5) Includes Greenhouse Gas Revenues not eligible for application to Operating Expenses or Debt Service.

(6) Includes reserve funds held locally and available at NCPA.

## **Annual Report for Wastewater Utility (Unaudited)**

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The Lodi Wastewater Utility has Continuing Disclosure requirements associated with its 2004 Series A Certificates of Participation, 2012 Refunding Wastewater Revenue Bonds, the 2016 Refunding Wastewater Revenue Bonds and the 2017 Installment Purchase Agreement. The annual report includes, by reference, the audited financial statements of the City of Lodi (including the Wastewater Utility).

The annual report also contains the following six (6) tables as required in the Certificates:

1. A table setting forth the City's number of connections by user type for the past five fiscal years.
2. A table showing the proportion of service charge revenue by class of user for the most recent fiscal year (applicable only to the 2004 Series A issue).
3. A table showing the largest users by service charge revenues for the most recent fiscal year.
4. A table showing a schedule of service charges.
5. A table showing a summary of historic operating results and debt service coverage for the past five fiscal years.
6. A table showing historical revenue balances for the past five fiscal years.

### **Reporting of Significant Events**

The Certificates identify sixteen (16) specific events that require special reporting. As of June 30, 2019, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending significant event that would require disclosure under the provisions of the Certificates.

## Annual Report for Wastewater Utility (Unaudited)

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**Table 1** A table setting forth the City’s number of connections by user type for the past five fiscal years.

CITY OF LODI						
WASTEWATER SYSTEM						
Number of Connections by User Type as of June 30						
and Percentage of Fiscal Year 2018-19 Service Charge Revenue by User Type						
User Type	2019	2018	2017	2016	2015	% of FY 18/19 Service Charge Revenue
Residential	22,528	22,083	21,891	21,700	21,920	91.7%
Commercial/Industrial	2,047	2,041	2,001	1,909	1,876	8.3%
Total All Users	<u>24,575</u>	<u>24,124</u>	<u>23,892</u>	<u>23,609</u>	<u>23,796</u>	<u>100%</u>

Source: City of Lodi

**Annual Report for Wastewater Utility (Unaudited)**

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**Table 2** A table showing the proportion of service charge revenue by class of user for the most recent fiscal year.

**CITY OF LODI**  
**WASTEWATER SYSTEM**  
**Proportion of Service Charge Revenues by Class of User**  
**Fiscal Year 2018-19**

<u>User Type</u>	<u>% of Total Annual Service Charge Revenue</u>
Single Family Residential	60%
Multiple Family Residential	18%
Commercial/Industrial	22%
Total	<u>100%</u>

Source: City of Lodi

## Annual Report for Wastewater Utility (Unaudited)

**Table 3** A table showing the largest users by service charge revenue for the most recent fiscal year.

CITY OF LODI WASTEWATER SYSTEM Largest Users by Service Charge Revenues Fiscal Year 2018-19			
User	Type of Business	Service Charge Revenue	Percentage of Total Annual Service Charge Revenue
TreeHouse Foods	Specialty bakery, frozen dough	\$ 408,582	2.58%
Lodi Unified School District	K-12 adult education	342,528	2.16
City of Lodi	Government	70,696	0.45
Pacific Coast Producers	Private label fruit canning	48,302	0.30
Lodi Memorial Hospital	Health Care	42,430	0.27
Archer Daniels Midland	Agricultural processor	41,350	0.26
Blue Shield of California	Health insurance	40,167	0.25
Miller Packing Company	Hot dog producer	29,293	0.18
Tokay Villa Apartments	Apartment complex	28,678	0.18
Casa de Lodi	Mobile home park	28,522	0.18
	<b>Total top ten users</b>	<b>\$ 1,080,548</b>	<b>6.82%</b>
	<b>Total System</b>	<b>\$ 15,854,205</b>	<b>100.00%</b>

Source: City of Lodi Public Works

## Annual Report for Wastewater Utility (Unaudited)

**Table 4** A table showing the schedule of service charges.

<b>CITY OF LODI</b>				
<b>WASTEWATER SYSTEM</b>				
<b>Schedule of Wastewater Service Charges</b>				
	Service Charge (effective July 1, 2018)	Service Charge (effective July 1, 2017)	Service Charge (effective July 1, 2016)	Service Charge (effective July 1, 2015)
<b>For Residential Users</b>				
<b>(flat rate per month):</b>				
1 Bedroom	\$27.90	\$27.90	\$27.90	\$27.22
2 Bedrooms	37.20	37.20	37.20	36.29
3 Bedrooms	46.49	46.49	46.49	45.36
4 Bedrooms	55.79	55.79	55.79	54.43
5 Bedrooms	65.09	65.09	65.09	63.51
6 Bedrooms	74.39	74.39	74.39	72.58
7 Bedrooms	83.69	83.69	83.69	81.65
<b>For Residential Users</b>				
<b>(usage based rate per month):</b>				
Monthly Usage Charge (\$/CCF) <sup>(1)</sup>	\$2.89	\$2.89	\$2.89	\$2.82
3/4" Meter Charge	25.40	25.40	25.40	24.78
<b>For Commercial/Industrial Users:</b>				
Moderate Strength (annual per Sewage Service Unit (SSU))	\$446.40	\$446.40	\$446.40	\$423.61
<b>High Strength:</b>				
Flow (annual per MG)	3,849.00	3,849.00	3,730.00	3,674.68
BOD (annual per 1,000 lbs.)	636.00	636.00	616.00	606.41
SS (annual per 1,000 lbs.)	397.00	397.00	385.00	379.17
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal)	336.00	336.00	326.00	321.00
Septic Holding Tank Waste Outside City Limits (per 1,000 gal.)	505.00	505.00	489.00	482.00
Disposal to Storm Drain System (per MG)				
<b>Disposal to Industrial System:</b>				
Flow (per MG, annual basis)	7,911.00	7,666.00	7,666.00	7,553.00
BOD (per 1,000 lbs., annual basis)	166.00	161.00	161.00	159.00
Winery Waste (per 1,000 gal.)	316.00	316.00	301.04	301.04

(1) Winter water usage determined as average monthly usage from December through February

## Annual Report for Wastewater Utility (Unaudited)

**Table 5** A table showing summary of historic operating results and debt service coverage for the past five fiscal years.

CITY OF LODI WASTEWATER SYSTEM Historical Operating and Debt Service Coverage Fiscal Years 2014-15 through 2018-19					
	2014-15	2015-16	2016-17	2017-18 <sup>(1)</sup>	2018-19
<b>Operating Revenues</b>					
Charges for Services	\$ 14,714,213	\$ 14,959,756	\$ 15,106,432	\$ 14,913,543	\$ 15,904,204
<b>Non-Operating Revenues</b>					
Interest Income	356,590	460,862	510,079	400,533	650,332
Other	774,007	1,520,966	1,091,001	752,514	2,730,863
<b>Total System Revenues</b>	15,844,810	16,941,584	16,707,512	16,066,590	19,285,399
<b>Operating Expenses</b>					
Personnel services	3,116,493	2,923,572	4,501,156	3,505,621	4,681,397
Supplies, Materials and services	2,541,909	3,622,348	4,828,494	5,065,464	2,905,401
Utilities	676,838	691,632	798,452	726,588	795,186
<b>Total Operating Expenses</b>	6,335,240	7,237,552	10,128,102	9,297,673	8,381,984
<b>System Net Revenues</b>	9,509,570	9,704,032	6,579,410	6,768,917	10,903,415
<b>Parity Debt Service</b>					
2004 Installment Payments	98,325	98,325	98,326	98,326	98,326
2007 Installment Payments	1,602,850	1,606,850	547,613	556,213	-
2012 Installment Payments	1,970,350	1,961,100	1,947,100	1,949,300	1,949,100
2016 Installment Payments	-	-	474,109	849,150	959,150
2017 Installment Payments	-	-	-	63,450	319,915
<b>Total Parity Debt Service</b>	3,671,525	3,666,275	3,067,148	3,516,439	3,326,491
<b>Debt Service Coverage</b>	2.59	2.65	2.15	1.92	3.28
<b>Non-Operating Expenses</b>					
Transfers (In)/Out	1,068,000	1,068,000	1,101,000	1,108,270	1,083,710
Total Non-Operating Expenses	1,068,000	1,068,000	1,101,000	1,108,270	1,083,710
<b>Net Cashflow Before Capital Expenditures</b>	\$ 4,770,045	\$ 4,969,757	\$ 2,430,502	\$ 2,144,208	\$ 6,493,214

Source: Financial Services Division

(1) FY17-18 added in 2017 Installment Payment missed in reporting. Corrected Net Cashflow Before Capital Expenditures.

## Annual Report for Wastewater Utility (Unaudited)

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**Table 6** A table showing historical reserve balances for the past five fiscal years.

<b>CITY OF LODI WASTEWATER SYSTEM Historical Reserve Balances (in millions)</b>					
Fund	2015	2016	2017	2018	2019
Operating	5.60	9.70	13.00	15.40	15.87
Rate Stabilization	0.50	0.50	0.50	0.50	0.50
Impact Mitigation	0.80	1.00	1.70	1.70	1.82
Capital	6.90	4.50	1.00	0.25	1.22
Total	13.80	15.70	16.20	17.85	19.41
25% Operating Reserve Goal	1.50	2.40	3.30	3.90	4.85

Source: City of Lodi

## **Annual Report for The Lodi Public Financing Authority (Unaudited)**

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The Lodi Public Financing Authority has Continuing Disclosure requirements associated with its 2012 Refunding lease Revenue Bonds. The annual report includes, by reference, the audited financial statements of the City of Lodi.

The annual report also contains the following six (6) tables as required in the Certificates:

1. A table setting forth the approved budget and actual results for the most recent fiscal year.
2. A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.
3. A table showing the assessed valuations for the last five fiscal years.
4. A table showing the secured property tax collections for the past ten fiscal years.
5. A table showing the ten largest locally secured taxpayers for the last fiscal year.
6. A table showing the Employee-paid and City-paid employee portion of the retirement plan.

### **Reporting of Significant Events**

The Certificates identify sixteen (16) specific events that require special reporting. As of June 30, 2019, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending significant event that would require disclosure under the provisions of the Certificates.

## Annual Report for The Lodi Public Financing Authority (Unaudited)

**Table 1** A table setting forth the approved budget and actual results for the most current fiscal year.

Please refer to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 99 of this Comprehensive Annual Financial Report.

**Table 2** A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GENERAL FUND LAST FIVE FISCAL YEARS

	2015 <sup>(1)</sup>	2016	2017	2018	2019
Revenues:					
Taxes	\$ 24,630,745	\$ 25,327,203	\$ 26,490,919	\$ 27,422,477	\$ 28,422,573
Licenses and permits	87,908	92,702	86,844	67,757	65,639
Intergovernmental revenues	12,642,107	12,887,767	12,830,329	12,377,159	15,472,538
Charges for services	1,482,448	1,437,440	1,852,855	1,934,180	1,772,088
Fines, forfeits and penalties	1,573,071	1,494,758	906,563	1,396,137	1,274,624
Investment and rental income	1,546,845	1,554,198	1,734,773	1,747,857	2,195,924
Miscellaneous revenue	290,951	349,153	319,373	342,549	221,949
Total revenues	42,254,075	43,143,221	44,221,656	45,288,116	49,425,335
Expenditures:					
Current:					
General government	6,490,907	6,824,884	6,926,368	6,980,564	7,136,809
Public protection	26,388,172	28,612,592	29,969,781	30,576,759	31,793,158
Public works	1,882,250	1,866,277	1,698,518	1,852,852	2,130,840
Library	1,311,367	1,152,901	1,152,721	1,058,133	1,165,499
Total expenditures	36,072,696	38,456,654	39,747,388	40,468,308	42,226,306
Excess of revenues over expenditures	6,181,379	4,686,567	4,474,268	4,819,808	7,199,029
Other financing sources (uses):					
Transfers in	3,952,000	3,952,000	3,952,000	7,608,579	4,233,780
Transfers out	(7,128,586)	(7,869,927)	(6,705,104)	(8,628,840)	(7,749,000)
Sale of City property	-	-	-	-	698
Total other financing sources (uses)	(3,176,586)	(3,917,927)	(2,753,104)	(1,020,261)	(3,514,522)
Net change in fund balance	3,004,793	768,640	1,721,164	3,799,547	3,684,507
Fund balance, beginning of year	9,473,760	12,478,553	13,247,193	14,968,358	18,767,905
Fund balance, end of year	\$ 12,478,553	\$ 13,247,193	\$ 14,968,357	\$ 18,767,905	\$ 22,452,412

## Annual Report for The Lodi Public Financing Authority (Unaudited)

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**Table 3** A table showing the assessed valuations for the last ten fiscal years.

Please refer to the table shown in the Statistical Section on page 143.

**Table 4** A table showing the secured property tax collections for the past ten fiscal years.

Please refer to the table shown on the Statistical Section on page 146.

**Table 5** A table showing the ten largest locally secured taxpayers for the fiscal year.

Please refer to the table shown in the Statistical Section on page 145.

**Table 6** A table showing the Employee-paid and City-paid employee portion of the retirement plan.

<b>Pension Contributions</b>			
<b>As of Fiscal Year Ended June 30, 2019</b>			
<b>Bargaining Units</b>	<b>Employee Paid*</b>	<b>City's Share of Employees %</b>	<b>Total Employee Share</b>
Council appointees	10.00%	0%	10.00%
Executive management	10.00%	0%	10.00%
Confidential mid-management	10.00%	0%	10.00%
Confidential	10.00%	0%	10.00%
Fire mid-management	12.00%	0%	12.00%
Fire	12.00%	0%	12.00%
Mid-management	10.00%	0%	10.00%
General services	9.00%	0%	9.00%
Maintenance and operators	10.00%	0%	10.00%
IBEW	7.00%	0%	7.00%
Police mid-management	12.00%	0%	12.00%
Police	12.00%	0%	12.00%
Dispatchers	10.00%	0%	10.00%
*PEPRA Miscellaneous Employees	9.75%	0%	9.75%
*PEPRA Safety Employees	11.25%	0%	11.25%

## Annual Report for Water Utility (Unaudited)

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The Lodi Water Utility has Continuing Disclosure requirements with its 2010 Series A and B Certificates of Participation. The annual report includes, by reference, the audited financial statements of the City of Lodi (including the water Utility).

The annual report also contains the following four (4) tables as required in the Certificates:

1. A table setting forth the City's number of accounts and revenues by user type for the past five fiscal years.
2. A table showing the largest users by service charge revenues for the most recent fiscal year.
3. A table showing a schedule of selected rates effective January 1, 2019.
4. A table showing a summary of historic operating results and debt service coverage for the past five fiscal years.

Additionally, the Certificate for the 2010 Series A issue requires a description of any additional indebtedness incurred during the prior fiscal year which is payable from the system net revenues on a parity with the installment payments.

### Reporting of Significant Events

The Certificates identify sixteen (16) specific events that require special reporting. As of June 30, 2019, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending significant events that would require disclosure under the provisions of the Certificates.

## Annual Report for Water Utility (Unaudited)

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**Table 1** A table setting forth the City's number of accounts and revenues by user type for the past ten fiscal years.

CITY OF LODI WATER SYSTEM				
Number of Accounts and Revenues by User Type				
Commercial / Industrial /				
Municipal				
Residential				
Year Ending December 31	Number of Accounts	Revenue	Number of Accounts	Revenue
2009	1,382	2,188,486	21,577	9,600,129
2010	1,383	2,097,001	21,622	9,604,412
2011	1,396	2,169,967	21,593	9,706,537
2012	1,432	2,329,957	23,399	8,411,315
2013	1,415	2,436,777	21,717	10,353,374
2014	1,435	2,534,741	21,722	10,359,235
2015	1,524	2,830,790	21,387	9,410,460
2016	1,821	2,991,610	21,683	9,500,400
2017	2,909	3,087,136	22,106	9,960,627
2018	2,903	3,170,623	22,464	10,213,988

Source: City of Lodi.

## Annual Report for Water Utility (Unaudited)

**Table 2** A table showing the largest users by service charge revenues for the most recent fiscal year.

CITY OF LODI WATER SYSTEM			
Largest Users by Service Charge Revenues			
Fiscal Year 2018-19			
User	Type of Business	Service Charge Revenue	Percentage of Total Annual Service Charge Revenue
City of Lodi	Government	\$ 484,915	3.62%
Lodi Unified School District	K-12, adult education	382,317	2.86%
Pacific Coast Producers	Private label fruit canning	160,516	1.20%
Lodi Memorial Hospital	Health care	65,454	0.49%
Treehouse Foods	Specialty bakery, frozen dough	52,500	0.39%
Casa de Lodi	Mobile home park	24,866	0.19%
All State Packers	Crop preparation	24,530	0.18%
Sweetener Products	Sweetener distribution	22,338	0.17%
Lodi Wine & Business Center	Tourism center	20,651	0.15%
Tokay Villa	Apartment complex	19,314	0.14%
Subtotal Top Ten Users		\$ 1,247,401	9.39%
TOTAL SYSTEM		\$ 13,344,473	100.00%

## Annual Report for Water Utility (Unaudited)

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**Table 3** A table showing a schedule of selected rates effective January 1, 2019.

<b>CITY OF LODI WATER SYSTEM</b>	
<b>Selected Rates Effective January 1, 2019</b>	
<u>Percent Increase</u>	<u>Current</u>
<b><i>Flat Rates (\$/month)</i></b>	
<b>Single Family Residential Unit (\$/month)</b>	
1 Bedroom	\$ 33.66
2 Bedroom	\$ 40.43
3 Bedroom	\$ 48.45
<b><i>Metered Water Rates</i></b>	
<b>Service Charge (\$/month)</b>	
<i>Single Family Residential</i>	
Up to 3/4" Meter	\$ 22.42
<i>Multi-Family and Non-Residential</i>	
1" Meter	\$ 35.20
1 1/2" Meter	\$ 66.88
2" Meter	\$ 105.08
<b>Water Usage rates (\$/CCF)</b>	
<i>Single Family Residential</i>	
Tier 1 - 0 to 10 CCF/month	\$ 0.99
Tier 2 - 11 to 50 CCF/month	\$ 1.32
Tier 3 - Over 50CCF/month	\$ 1.64
<i>Multi-Family and Non-Residential</i>	
All Water Usage	\$ 1.18

Source: City of Lodi.

## Annual Report for Water Utility (Unaudited)

**Table 4** A table showing historic operating results and debt service coverage for the past five fiscal years.

CITY OF LODI WATER SYSTEM					
Historical Operating Results and Debt Service Coverage					
Fiscal Years 2014-15 through 2018-19					
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Gross Revenues</b>					
Water Sales <sup>(1)</sup>	\$ 12,722,619	\$ 12,161,186	\$ 12,473,676	\$ 13,005,023	\$ 13,344,473
Investment Earnings	87,211	166,791	132,364	99,018	448,331
Water Impact Mitigation Fees	20,299	332,765	206,847	362,481	528,885
Meter Retrofit Installation Charges	56,052	76,103	19,255	21,577	33,347
Other Revenues <sup>(2)</sup>	483,710	287,839	1,011,756	932,652	1,095,363
Total Gross Revenues	13,369,891	13,024,684	13,843,898	14,420,751	15,450,399
<b>Operating and Maintenance Expenses</b>					
Personnel Services	2,316,305	2,515,542	2,998,026	2,833,892	3,014,211
Supplies, Materials and Services <sup>(7)</sup>	2,139,014	3,008,676	3,468,229	3,220,625	3,339,632
Utilities	579,774	496,316	453,488	518,271	537,561
Administrative Overhead	780,000	780,000	813,000	820,560	821,900
Total O & M Expenses	5,815,093	6,800,534	7,732,743	7,393,348	7,713,304
<b>Net Revenue Available for Debt Service</b>	7,554,798	6,224,150	6,111,155	7,027,403	7,737,095
<b>Debt Service</b>					
2010 Bonds <sup>(3)</sup>	2,356,141	2,351,580	2,308,061	2,305,611	2,307,111
Total Net Debt Service	2,356,141	2,351,580	2,308,061	2,305,611	2,307,111
<b>Debt Service Coverage <sup>(4)</sup></b>					
Debt Service Coverage	3.21	2.65	2.65	3.05	3.35
Debt Service Coverage (excluding impact mitigation fees)	3.20	2.51	2.56	2.89	3.12
<b>Net Remaining Revenues Available for Capital</b>	5,198,657	3,872,570	3,803,094	4,721,792	5,429,984
<b>Capital Improvement Projects</b>					
Meter Retrofit Program <sup>(5)</sup>	4,841,932	1,606,734	4,589,636	4,068,588	652,540
Other Water System Improvements	267,902	9,097	330,380	114,412	436,433
Total Capital Improvement Projects	5,109,834	1,615,831	4,920,016	4,183,000	1,088,973
<b>Net Change in Reserve</b>	88,823	2,256,739	(1,116,922)	538,792	4,341,011
<b>Water Enterprise Fund <sup>(6)</sup></b>					
Beginning Cash Balance	7,027,567	6,755,522	6,270,786	4,558,222	4,450,028
Ending Cash Balance	6,755,522	6,270,786	4,558,222	4,450,028	8,846,454

Source: City of Lodi.

## Annual Report for Water Utility (Unaudited)

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**Table 4 A table showing historic operating results and debt service coverage for the past five fiscal years (continued).**

- (1) Water sales reflect Council-adopted rate increases effective January 1.
- (2) Includes rent, sales of City property, discounts, water reimbursements, and damage to property, water tap fees, Groundwater Pollution Remediation reimbursements, also known as DBCP reimbursements, and other miscellaneous revenues. DBCP reimbursements are expected to decline beginning in Fiscal Year 2012-13 as new plant becomes operational and groundwater draws diminish.
- (3) Reflects total debt service for the 2010 Water Revenue Bonds net of the 35% interest rate subsidy for the Series 2010B bonds.
- (4) Coverage calculated based on Net Revenues divided by Net Debt Service and Net Revenues less mitigation fees divided by Net Debt Services.
- (5) Annual capital costs of transition to water meters. Program expected to be completed in Fiscal Year 2020-21.
- (6) Water Enterprise Fund balance includes both operating and capital reserves and is presented on a cash basis. Cash position is expected to increase substantially upon completion of the water meter installation program.
- (7) Correction to Supplies, Materials and Services. FY17 previously included depreciation.

**APPENDIX C**  
**RATE CONSULTANT'S REPORT**

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# CITY OF LODI

## Water and Wastewater Rate Study

*Final Report*

March 6, 2019



**THE REED GROUP, INC.**

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**SECTION I. EXECUTIVE SUMMARY**

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**INTRODUCTION AND BACKGROUND**

The City of Lodi retained The Reed Group, Inc. to prepare new ten-year water and wastewater system financial plans and to update the water and wastewater rates for the City's two utilities. The purpose of the study was to ensure that water and wastewater rates are sufficient to meet each utility's financial and service obligations for ongoing operation and maintenance, debt service, and capital improvements while maintaining prudent reserves. The last adjustment to the water rates occurred in 2017, and wastewater rates were last adjusted in 2016.

The scope of services for the water and wastewater rate study included the following:

- Review financial goals and policy objectives related to the water and wastewater utilities
- Review the current budgets, existing debt obligations, and capital improvement plans
- Prepare ten-year financial plans and determine annual water and wastewater rate revenue requirements for the utilities
- Review the current water and wastewater rate structures, as well as the continuing transition from flat rates to metered rates
- Verify that water and wastewater rate recommendations meet the legal requirements for cost of service, and prepare multi-year rate plans to meet the anticipated revenue needs of each utility for up to five years
- Evaluate the potential financial implications of water shortages, develop a water shortage strategy to mitigate financial deficits created by shortage conditions, and propose temporary water shortage rate surcharges as part of the strategy
- Present draft study findings and recommendations to the City Council during a shirtsleeve meeting
- Prepare a water and wastewater rate study report (this report) to document the analyses performed during the study
- Present study recommendations to the City Council during a regular meeting, and assist the City in preparing a notice of public hearing regarding the proposed water and wastewater rates
- Present final water and wastewater rate recommendations during a public hearing to adopt new rates.

The purpose of this report is to describe the analyses performed, present the financial plans for the utilities, provide the basis and rationale for rate adjustments, and summarize findings and recommendations regarding the water and wastewater rates.

**FINANCIAL PLANS AND REVENUE NEEDS**

Since 2012, the City has worked diligently to limit annual water and wastewater rate adjustments to be less than or equal to the rate of annual inflation. In addition, in anticipation of the completion of the water meter retrofit program, in 2017 the City Council approved a reduction of water rates in January 2021 to the levels that existing in 2016. While the meter retrofit program will continue until about 2023, the rate rollback is still planned.

Maintaining the very limited increases in water and wastewater rates has been challenging for the City for multiple reasons. First, the conversion of customers from flat water rates to metered rates has resulted in a greater reduction in water demand than had been previously anticipated. Second, the statewide drought from a few years ago also contributed to reduced water sales and a decline in anticipated revenues. In addition, water demand has not rebounded to pre-drought levels thereby continuing to limit revenues. Third, growth in operating costs and capital program needs continue to apply financial pressure on the utilities. And fourth, the transition to metered billing is creating additional revenue volatility for both the water and wastewater utilities thereby increasing the need for maintaining prudent financial reserves. Constant pressure to keep water and wastewater rates low can result in a chronic underfunding of infrastructure rehabilitation and upgrade needs and create unnecessary financial risk. This water and wastewater rate study has focused on working to maintain limited increases to the City's water and wastewater rates while also limiting financial risk. Input from the City's Public Works staff has been instrumental in achieving these results.

At present, the City's water utility generates sufficient revenue to meet ongoing operation and maintenance costs and debt service obligations, as well as most capital improvement needs. However, in years with high capital program expenditures the water utility can experience significant reductions in the level of financial reserves. While previous financial planning and rate studies have recommended a 25 percent Operating Reserve for the water utility, the continuing transition to metered billing and the significant variability of the annual capital program expenditures suggests the need to increase the target for the Operating Reserve.

At present the City's wastewater utility also generates sufficient revenue to meet ongoing operation and maintenance costs and debt service obligations, as well as most capital improvement needs. And, like the water utility, in years with high capital program expenditures the wastewater utility experiences significant reductions in the level of financial reserves. While previous financial planning and rate studies recommended a 25 percent Operating Reserve for the wastewater utility, the continue transition to metered billing and the significant variability annual capital program expenditures suggests the need to increase the target for the Operating Reserve.

In addition to meeting the financial needs of the utilities with respect to operating and maintenance costs, debt service obligations, and capital program needs, it is recommended that the City increase the target for a prudent financial Operating Reserve from 25 percent of annual operating and maintenance costs, including debt service, to 50 percent of these annual costs. This change is indicated due to the increased revenue volatility associated with metered rates and billing, as well as the variable costs associated with water and wastewater

capital improvement programs. Reaching and maintaining the higher reserve levels cannot be achieved immediately but can be met by the end of the 10-year planning period.

In light of the current and estimated future financial needs of the water and wastewater utilities, it is recommended that the City continue to annually adjust its water and wastewater rates to: (1) ensure continued financial support for ongoing operation and maintenance costs, including debt repayment, (2) provide adequate funding for the water and wastewater capital improvement programs, and (3) by the end of the planning period establish and then maintain increased Operating Reserves of at least 50 percent of annual operating and maintenance costs, including debt service.

In addition to adjusting the overall level of water and wastewater rates to meet current and estimated future revenue needs, it is recommended that the City adopt temporary water shortage surcharges, which would be implemented in the event of a future drought or other water supply shortage. These surcharges would only be implemented when water use restrictions are necessary and mandated by the City Council. The temporary surcharges, as presented herein, will also help to reduce financial risk for the benefit of both the City's water utility and customers.

The water and wastewater financial plan models reflect information, assumptions, and estimates that are believed reasonable at the present time. However, conditions change. It is recommended that the City review the financial condition of the water and wastewater utilities annually as part of the budget process and perform a more comprehensive financial plan and rate update study every 3 to 5 years, unless otherwise needed sooner. The financial analyses presented in this report indicate that the revenues generated by the current and proposed water and wastewater rates would not exceed the cost of providing service, including maintaining prudent reserves for specified purposes.

Details of financial plan analyses, determination of the annual water and wastewater rate revenue requirements, and analysis supporting drought-related temporary water shortage surcharges are presented in Section II of this report.

## **PROPOSED WATER AND WASTEWATER RATES**

**Exhibits I-1 and I-2** present the proposed water and wastewater rate schedules, respectively, each spanning a five-year period. It is recommended that the initial water rate adjustments be implemented effective in April 2019, with subsequent adjustments implemented each January, from 2020 through 2023. It is recommended that the initial wastewater rate adjustments be implemented effective in July 2019, with subsequent adjustments implemented each July, from 2020 through 2023.

No changes to the water or wastewater rate structures are proposed at the present time. A cursory review of both structures indicates that they continue to generally function as intended and reflect a proportionate allocation of costs to each customer consistent with legal requirements. In addition, the City Council's decision to roll back water rates to the schedule that existed in 2016 would be complicated by any rate structure change at the present time. Also, the City is still in the midst of its transition from flat rates to metered rates. It is recommended that once all water meters are installed the City then undertake a comprehensive cost of service study and consider rate structure refinements at that point in time.

<b>Exhibit I-1 City of Lodi Current and Proposed Maximum Water Rate Schedules</b>						
	<b>Current (1)</b>	<b>Apr. 2019 (2)</b>	<b>Jan. 2020 (3)</b>	<b>Jan. 2021 (1)</b>	<b>Jan. 2022 (3)</b>	<b>Jan. 2023 (3)</b>
<b>Rate Adjustment --&gt;</b>		<b>2.9%</b>	<b>3.0%</b>	<b>-8.4%</b>	<b>3.0%</b>	<b>3.0%</b>
<b>Monthly Flat Water Rates (Unmetered)</b>						
Single Family Residential						
1 bedroom	\$ 32.84	\$ 33.79	\$ 34.80	\$ 31.88	\$ 32.84	\$ 33.83
2 bedroom	\$ 39.44	\$ 40.58	\$ 41.80	\$ 38.29	\$ 39.44	\$ 40.62
3 bedroom	\$ 47.27	\$ 48.64	\$ 50.10	\$ 45.89	\$ 47.27	\$ 48.69
4 bedroom	\$ 56.79	\$ 58.44	\$ 60.19	\$ 55.14	\$ 56.79	\$ 58.49
5 bedroom	\$ 68.11	\$ 70.09	\$ 72.19	\$ 66.13	\$ 68.11	\$ 70.15
Multi-Family Units						
1 bedroom	\$ 28.19	\$ 29.01	\$ 29.88	\$ 27.37	\$ 28.19	\$ 29.04
2 bedroom	\$ 33.81	\$ 34.79	\$ 35.83	\$ 32.82	\$ 33.80	\$ 34.81
3 bedroom	\$ 40.58	\$ 41.76	\$ 43.01	\$ 39.40	\$ 40.58	\$ 41.80
4 bedroom	\$ 48.68	\$ 50.09	\$ 51.59	\$ 47.26	\$ 48.68	\$ 50.14
Non-Residential						
Per ESFU	\$ 39.44	\$ 40.58	\$ 41.80	\$ 38.29	\$ 39.44	\$ 40.62
<b>Monthly Service Charges (Metered)</b>						
Up to 3/4" meter	\$ 21.87	\$ 22.50	\$ 23.18	\$ 21.23	\$ 21.87	\$ 22.53
1" meter	\$ 34.34	\$ 35.34	\$ 36.40	\$ 33.34	\$ 34.34	\$ 35.37
1 1/2" meter	\$ 65.25	\$ 67.14	\$ 69.15	\$ 63.34	\$ 65.24	\$ 67.20
2" meter	\$ 102.52	\$ 105.49	\$ 108.65	\$ 99.53	\$ 102.52	\$ 105.60
3" meter	\$ 189.50	\$ 195.00	\$ 200.85	\$ 183.98	\$ 189.50	\$ 195.19
4" meter	\$ 313.73	\$ 322.83	\$ 332.51	\$ 304.59	\$ 313.73	\$ 323.14
6" meter	\$ 624.03	\$ 642.13	\$ 661.39	\$ 605.85	\$ 624.03	\$ 642.75
8" meter	\$ 996.55	\$ 1,025.45	\$ 1,056.21	\$ 967.52	\$ 996.55	\$ 1,026.45
10" meter	\$ 1,431.26	\$ 1,472.77	\$ 1,516.95	\$ 1,389.57	\$ 1,431.26	\$ 1,474.20
<b>Water Usage Rates (Metered) -- \$/CCF</b>						
Single Family Residential						
Tier 1 (0-10 CCF)	\$ 0.97	\$ 1.00	\$ 1.03	\$ 0.94	\$ 0.97	\$ 1.00
Tier 2 (11-50 CCF)	\$ 1.29	\$ 1.33	\$ 1.37	\$ 1.25	\$ 1.29	\$ 1.33
Tier 3 (> 50 CCF)	\$ 1.60	\$ 1.65	\$ 1.70	\$ 1.56	\$ 1.61	\$ 1.66
Multi-Family	\$ 1.15	\$ 1.18	\$ 1.22	\$ 1.12	\$ 1.15	\$ 1.18
Non-Residential	\$ 1.15	\$ 1.18	\$ 1.22	\$ 1.12	\$ 1.15	\$ 1.18

**Notes:**

- (1) Water rates were last adjusted in 2017 based on Resolution 2017-23, which includes a rate rollback in January 2021 to the water rates that were in effect in 2016.
- (2) Annual change in ENR 20-Cities Construction Cost Index for 2018 (based on Dec. 2017 to Dec. 2018).
- (3) Estimated adjustments based on the annual change in the ENR index each September 30, subject to 3.0% cap.

Proposed water rates continue to include flat rates for unmetered customers and fixed monthly service charges based on the size of the water meter, a three-tier water usage rate structure for single family residential customers, and a uniform water usage rate for multi-family, non-residential accounts with water meters.

<b>Exhibit I-2 City of Lodi Current and Proposed Maximum Wastewater Rate Schedules</b>						
	Current (1)	Jul. 2019 (2)	Jul. 2020 (3)	Jul. 2021 (3)	Jul. 2022 (3)	Jul. 2023 (3)
Rate Adjustments -->	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Monthly Flat Water Rates (Unmetered)</b>						
Single Family and Multi-Family Residential Dwelling Units						
1 bedroom	\$ 27.90	\$ 28.71	\$ 29.57	\$ 30.46	\$ 31.37	\$ 32.31
2 bedroom	\$ 37.20	\$ 38.28	\$ 39.43	\$ 40.61	\$ 41.83	\$ 43.08
3 bedroom	\$ 46.49	\$ 47.84	\$ 49.28	\$ 50.76	\$ 52.28	\$ 53.85
4 bedroom	\$ 55.79	\$ 57.41	\$ 59.13	\$ 60.90	\$ 62.73	\$ 64.61
5 bedroom	\$ 65.09	\$ 66.98	\$ 68.99	\$ 71.06	\$ 73.19	\$ 75.39
Mobile Homes						
Any Size	\$ 27.90	\$ 28.71	\$ 29.57	\$ 30.46	\$ 31.37	\$ 32.31
Schools						
Per SSU (18 students = 1 SSU)	\$ 27.90	\$ 28.71	\$ 29.57	\$ 30.46	\$ 31.37	\$ 32.31
Non-Residential						
Per SFU	\$ 37.20	\$ 38.28	\$ 39.43	\$ 40.61	\$ 41.83	\$ 43.08
<b>Monthly Service Charges (Metered)</b>						
Up to 3/4" meter	\$ 25.40	\$ 26.14	\$ 26.92	\$ 27.73	\$ 28.56	\$ 29.42
1" meter	\$ 40.92	\$ 42.11	\$ 43.37	\$ 44.67	\$ 46.01	\$ 47.39
1 1/2" meter	\$ 79.06	\$ 81.35	\$ 83.79	\$ 86.30	\$ 88.89	\$ 91.56
2" meter	\$ 124.33	\$ 127.94	\$ 131.78	\$ 135.73	\$ 139.80	\$ 143.99
3" meter	\$ 232.29	\$ 239.03	\$ 246.20	\$ 253.59	\$ 261.20	\$ 269.04
4" meter	\$ 385.52	\$ 396.70	\$ 408.60	\$ 420.86	\$ 433.49	\$ 446.49
6" meter	\$ 768.28	\$ 790.56	\$ 814.28	\$ 838.71	\$ 863.87	\$ 889.79
8" meter	\$ 1,227.76	\$ 1,263.37	\$ 1,301.27	\$ 1,340.31	\$ 1,380.52	\$ 1,421.94
<b>Wastewater Usage Rates (Metered)</b>						
All Customers, Except High Strength						
Usage Rate (\$/CCF of water use)	\$ 2.89	\$ 2.97	\$ 3.06	\$ 3.15	\$ 3.24	\$ 3.34
High Strength Users						
Flow (per MG annually)	\$ 3,730.00	\$ 3,838.17	\$ 3,953.32	\$ 4,071.92	\$ 4,194.08	\$ 4,319.90
BOD (per 1,000 lbs annually)	\$ 616.00	\$ 633.86	\$ 652.88	\$ 672.47	\$ 692.64	\$ 713.42
SS (per 1,000 lbs annually)	\$ 385.00	\$ 396.17	\$ 408.06	\$ 420.30	\$ 432.91	\$ 445.90

**Notes:**

- (1) Wastewater rates were last adjusted in 2016 based on Resolution 2016-109.  
(2) Annual change in ENR 20-Cities Construction Cost Index for 2018 (based on Dec. 2017 to Dec. 2018).  
(3) Estimated adjustments based on the annual change in the ENR index each April 30, subject to 3.0% cap.

Proposed wastewater rates continue to include flat rates for unmetered customers and fixed monthly service charges based on the size of the water meter and a uniform wastewater usage rate for single family, multi-family, and non-residential accounts with water meters. High strength accounts will continue to be subject to sewer service charges based on wastewater flow as well as loading characteristics of their wastewater.

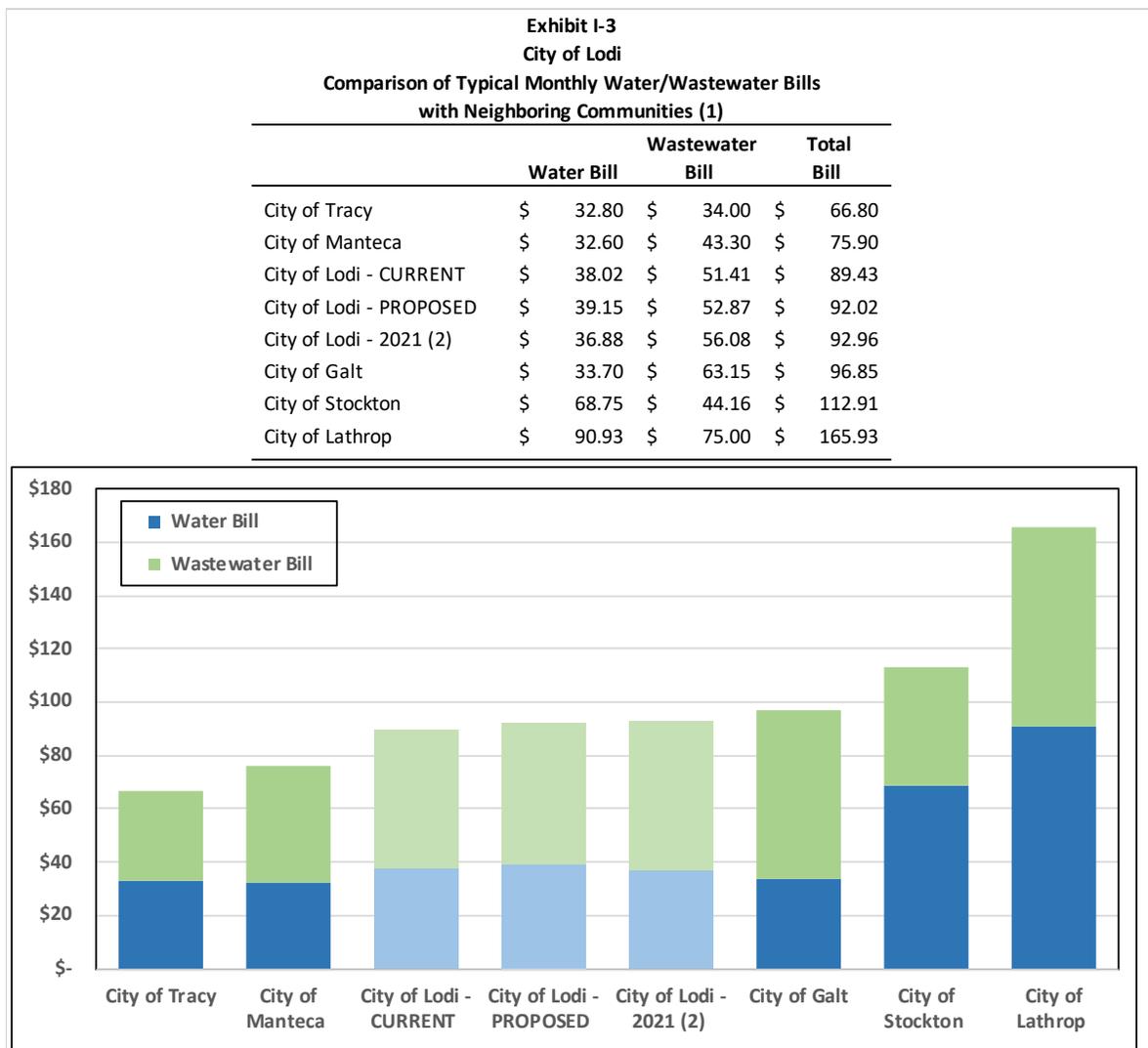
Additional information on the current water and wastewater rate structures and proposed schedules for the next five years are presented in Section III of this report.

The combined effect of proposed water and wastewater rate changes for 2019 is an estimated increase in the typical metered monthly single family water and wastewater bill

from \$89.43 to \$92.02, for an increase of \$2.59 or 2.9 percent. Because both water and wastewater rates are proposed to increase by 2.9 percent and no rate structure changes are proposed, all combined water and wastewater bills will increase by 2.9 percent, all other factors remaining equal.

**COMPARISON OF PROPOSED RATES WITH NEIGHBORING COMMUNITIES**

A typical monthly water and wastewater bill for single family residential customers with metered rates in Lodi is currently and will continue to be *lower* than bills for comparable customers in most neighboring communities. Typical bills for a metered single family customer in Lodi is compared with water and wastewater bills, based on current rates in neighboring communities in **Exhibit I-3**.



**Notes:**

- (1) Based on metered water rates with 15 CCF of average monthly water usage and 9 CCF of monthly winter water usage (for wastewater bill calculations), and a 3/4" residential meter.
- (2) Includes rollback of water rates to 2016 schedule previously approved by the City Council.

## WATER SHORTAGE FINANCIAL ANALYSIS AND WATER SHORTAGE SURCHARGES

The water and wastewater rate study also included an analysis of the financial impacts associated with drought and reduced water sales. As drought conditions worsened in 2015, the Governor declared a statewide water emergency and ordered urban water agencies to reduce water use by 25 percent. In implementing the Governor's Executive Order, the SWRCB required the City of Lodi to reduce water use by 20 percent relative to 2013 water use. The City, like other communities in the state, responded by requiring customers to reduce water usage and implementing restrictions on water use.

The City, the region, and the State recently emerged from the multi-year drought. However, the City is concerned about potential financial vulnerability in the event of a future drought, especially a multi-year drought. The financial analyses in this report support the development of temporary water shortage rate surcharges that would be implemented during periods of mandatory water use reductions, as declared by the City Council.

Water shortage conditions can result in (1) reduced water sales, (2) reduced water supply purchase and pumping costs, (3) increased groundwater production costs<sup>1</sup>, and (4) increased water conservation education and assistance costs. The net effect of these impacts can create a financial deficit during periods of water shortage (i.e., revenue will decline more than the decline in expenses).

To counter the financial impact of water shortage, a multi-prong strategy is proposed that includes (1) utilizing a portion of available operating reserves to offset the financial deficit created by reduced water sales, and (2) adopting and implementing temporary water shortage rate surcharges to generate supplemental revenue when mandatory use restrictions are necessary, and (3) in the most severe conditions defer capital program expenditures to preserve cash. This strategy, including the temporary water shortage rate surcharges, should be incorporated into the City's water shortage contingency plans.

Proposed temporary water shortage rate surcharges would be implemented whenever the City Council declares a water shortage emergency requiring mandatory water use reductions. The temporary water shortage rate surcharges would be applied to water usage rates (but not to monthly service charges or flat water rates). The temporary surcharges would mean that **both the water utility's water system reserves and customers would bear a proportionate share of the financial burden created by water shortage**. The water shortage rate surcharges have been designed such that customers meeting water use reduction goals will have lower water bills than their normal water bills. Customers that do not meet water use reduction goals may have higher water bills, as illustrated in Exhibit III-5 in Section III of this report.

**Exhibit I-4** presents the proposed temporary water shortage rate surcharges, expressed as a percentage increase to the normal water usage rates. The amount of increase depends on the level of water use reduction goals. It is expressed as a percentage so that it can be applied to any future water usage rate schedule. The specific rates shown in Exhibit I-4 are an application of the temporary water shortage surcharge percentages to the water rates

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<sup>1</sup> The City has the ability to shift its water supply mix to increase reliance on groundwater during periods of shortage. This helps the City meet water supply needs.

proposed for April 2019. As an example, with a water use reduction goal of up to 20 percent (Minor Shortage), a 5 percent water shortage rate surcharge would temporarily increase the Tier 1 residential water usage rate from \$1.00 per CCF to \$1.05 per CCF (a surcharge of \$0.05 per CCF). Monthly service charges and flat rates for unmetered customers would be unaffected by the imposition of the temporary water shortage surcharges.

Details of the water shortage financial analysis are presented in Section II of this report and proposed temporary water shortage surcharges are presented in Section III of this report. That section also includes information on how customers' bills would be affected by the proposed surcharges, both for customers meeting water use reduction goals, as well as those that do not.

Exhibit I-4 City of Lodi Proposed Temporary Water Shortage Rate Surcharges						
	Normal Supply Conditions	Potential Shortage (Voluntary)	Minor Shortage (Mandatory)	Moderate Shortage (Mandatory)	Severe Shortage (Mandatory)	Critical Shortage (Mandatory)
Use Reduction Goal -->	None	5% to 10%	10% to 20%	20% to 30%	30% to 50%	> 50%
<b>Temp. Water Shortage Surcharge (2)</b>	<b>None</b>	<b>None</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>
<b>Monthly Service Charges</b>						
Up to 3/4" meter	\$ 22.50					
1" meter	\$ 35.34					
1 1/2" meter	\$ 67.14					
2" meter	\$ 105.49					
3" meter	\$ 195.00			No Changes to Service Charges		
4" meter	\$ 322.83					
6" meter	\$ 642.13					
8" meter	\$ 1,025.45					
10" meter	\$ 1,472.77					
<b>Water Usage Rates (\$/CCF) (3)</b>						
Single Family Residential						
Tier 1 (0-10 CCF)	\$ 1.00	\$ 1.00	\$ 1.05	\$ 1.10	\$ 1.15	\$ 1.20
Tier 2 (11-50 CCF)	\$ 1.33	\$ 1.33	\$ 1.40	\$ 1.46	\$ 1.53	\$ 1.60
Tier 3 (> 50 CCF)	\$ 1.65	\$ 1.65	\$ 1.73	\$ 1.82	\$ 1.90	\$ 1.98
Multi-Family	\$ 1.18	\$ 1.18	\$ 1.24	\$ 1.30	\$ 1.36	\$ 1.42
Non-Residential	\$ 1.18	\$ 1.18	\$ 1.24	\$ 1.30	\$ 1.36	\$ 1.42

**Notes:**

- (1) The temporary water shortage rate surcharge percentages are shown applied to the proposed water usage rates for April 2019 for illustrative purposes. The percentages would be applied to any then-current water usage rates when implemented by declaration of a water shortage by the City Council.
- (2) The temporary water shortage rate surcharge would be an incremental (percentage) increase in the water usage rates, but would not be applied to monthly service charges or to any flat water rates for unmetered customers.
- (3) The water usage rates shown for Minor through Critical shortage conditions incorporate the temporary water shortage rate surcharges.

**ADOPTING PROPOSED WATER AND WASTEWATER RATES**

In order to adopt the proposed multi-year water and wastewater rate plans, as well as the proposed water shortage rate surcharges the City will need to follow the requirements contained in Article XIII D of the California Constitution (Proposition 218). This includes a Notice of Public Hearing to be mailed to all affected property owners and customers at least 45 days prior to a public hearing. It is recommended that the City combine the adoption of the water and wastewater multi-year rate plans and the temporary water shortage rate surcharges into a single public notice and rate hearing process. This will save the City both time and expenses.

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**SECTION II. WATER AND WASTEWATER FINANCIAL PLANS**

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This section of the report describes the financial plans and related recommendations for the City's water and wastewater utilities. The ten-year financial plans are used to determine annual water and wastewater rate revenue requirements. The annual rate revenue requirement is the amount of revenue needed from water or wastewater rates to cover planned operating, maintenance, debt service, and capital program costs with consideration of other revenues and financial reserves.

**FUND STRUCTURE AND CASH FLOWS**

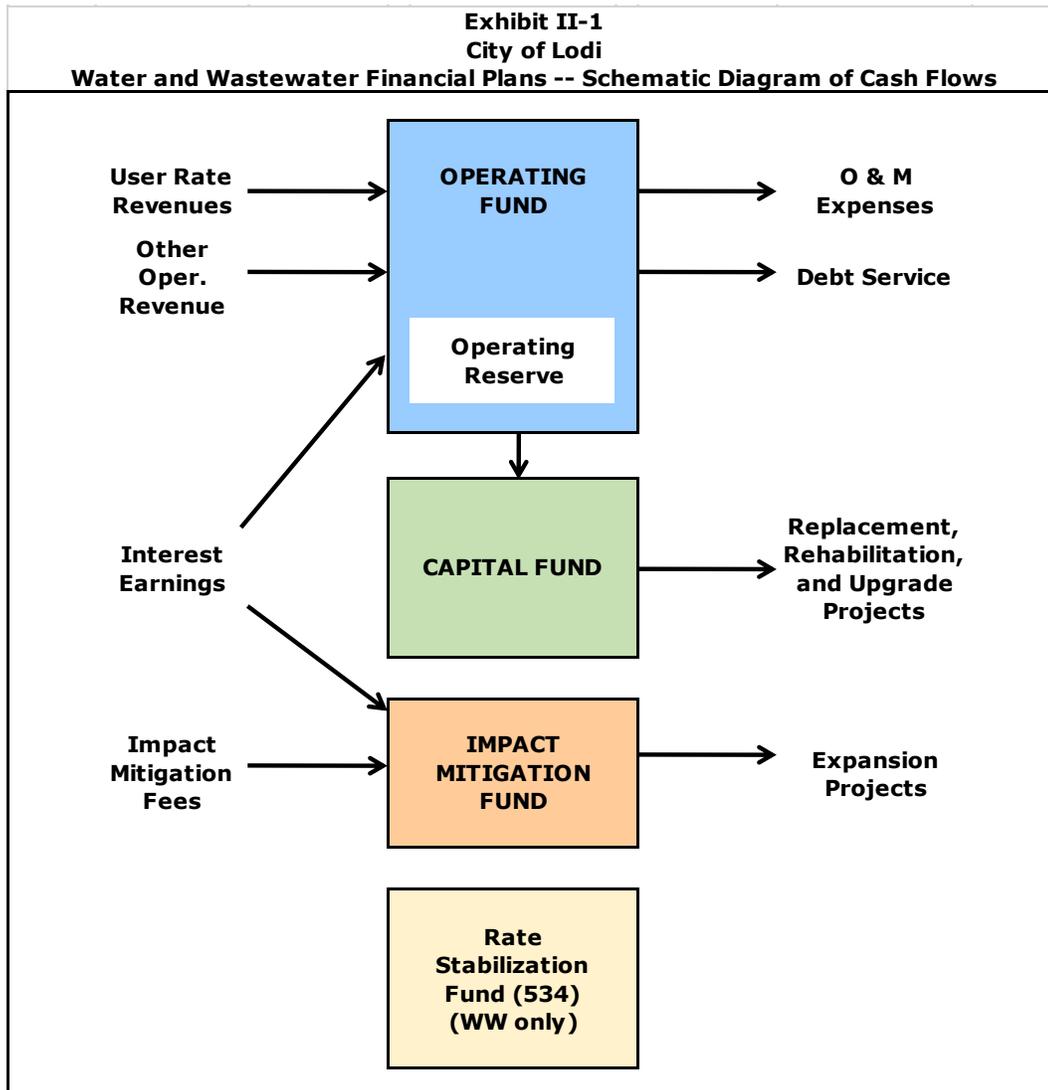
The financial plans are annual cash flow models and represent updated versions of the financial plan models that the City has successfully utilized for the past ten years. As a cash flow model, it differs from standard accounting income statements, and balance sheets. The financial plans model sources and uses of funds into, out of, and between the various funds and reserves of both the water and wastewater utilities.

The financial plan models are based on the fund structures currently used by the City and incorporate proposed reserve policies for specified purposes. This structure was discussed with staff, with concurrence that it provides a helpful framework for evaluating the financial needs of each utility and for clearly demonstrating how operating and maintenance costs, debt service obligations, and capital program needs are addressed. The proposed reserve structure includes an Operating Reserve within each of the Operating Funds (Funds 560 and 530), as well as Capital Funds (Fund 561 and 531) for the purpose of meeting water and wastewater system capital improvement needs of the capital program and Impact Mitigation Fee Funds (Fund 562 and 533/535) that account for revenue associated with new development and capital projects needed to provide capacity for that development. **Exhibit II-1** includes schematic diagrams of the funds/reserves and major cash flows associated with the two financial plan models.

An understanding of the fund/reserve structure is helpful in understanding the financial plan worksheets that model estimated annual cash flows through the water and wastewater utility from one year to the next. The fund/reserve structure is comprised of:

- ***Water and Wastewater Operating Funds (560 and 530)*** – The Operating Fund is the primary fund within each utility. Most of the water/wastewater system's revenues, including user rate revenues, flow into the Operating Fund and all operating and maintenance costs, including debt service payments, are paid out of this fund. Funds are also transferred from the Operating Fund to the Capital Fund to pay for capital projects of the capital improvement program on a pay-as-you-go basis.
  - *Operating Reserves* – Previous financial plans included a 25 percent Operating Reserve. It is recommended that the City establish and maintain Water and Wastewater Operating Reserves equal to 50 percent of annual operating and maintenance costs, including debt service, for both of the utilities. The purpose of the Operating Reserve is to provide working capital and funds for unplanned operating and maintenance expenditures or unplanned reductions in revenue. The balance in the

Water Operating Fund at the end of FY 17-18 was about \$3,749,000, or about \$1,265,000 below the recommended 50 percent target Operating Reserve. The balance in the Wastewater Operating Fund at the end of FY 17-18 was about \$15,310,000, or about \$9,317,000 above the 50 percent target Operating Reserve.



- *Available Balance* - The balance in the Operating Fund in excess of the 50 percent target amount for the Operating Reserve is shown in the financial plan as Available Balance. After all other obligations are met the Available Balance is used to offset rate increases. The financial plan models generally seek to reduce any Available Balance over time. A negative value for the Available Fund Balance indicates shortfalls in maintaining the recommended minimum 50 percent Operating Reserve. The high Available Balance in the Wastewater Operating Fund is not excessive, but necessary to meet future capital program needs of the utility.

- ***Water and Wastewater Capital Funds (561 and 531)*** – The Capital Fund is used to account for revenues and funds available for capital project expenditures related to replacement, rehabilitation, and upgrade projects. Transfers from the Operating Fund provide funds intended for these capital project purposes. The financial plan models generally seek to maintain a zero or positive balance in the Capital Funds while also covering the costs of planned capital improvement projects. This is achieved through annual transfers of funds from the Operating Fund to the Capital Fund of each utility.
- ***Water and Wastewater Impact Mitigation Fee Funds (562 and 533/535)*** – The Impact Mitigation Fee Funds are used to account for revenues and funds available for capital project expenditures that provide new capacity to the water and wastewater systems. Impact mitigation fees, paid by new development, are available to improve system capacity and help meet the capacity needs of new development. The wastewater utility maintains separate Impact Mitigation Funds for wastewater and stormwater project purposes. A portion of wastewater impact mitigation fee revenues is transferred from the Wastewater Impact Mitigation Fee Fund to the Wastewater Operating Fund to help pay debt service. This is consistent with the wastewater impact mitigation fee methodology and the intended use of fee revenue.
- ***Wastewater Rate Stabilization Fund (534)*** – The wastewater utility also maintains a Rate Stabilization Fund consistent with debt covenants. The Rate Stabilization Fund currently maintains a balance of \$500,000. It is available to assist with meeting debt service coverage requirements, if necessary. Since its inception, this fund has never been utilized.

## FINANCIAL PLAN ASSUMPTIONS

The water and wastewater financial plans reflect the city's FY 18-19 budget and financial conditions as of the beginning of the fiscal year. The financial plans also reflect the City's debt service obligations and capital improvement programs, as identified by City staff, during the planning period that extends through FY 29-30. The financial plans are based on the best available information and reasonable assumptions; future estimates have been reviewed with staff and are believed to be reasonable.

- ***Inflation Rates*** – The financial plan analyses include general inflation at 3.0 percent per year. The general inflation rate applies to all operating and maintenance costs except water purchases from the Woodbridge Irrigation District, which increases at 2.0 percent per year. Capital project costs are escalated at 3.0 percent per year to the year of construction. These inflation assumptions have been reviewed with City staff and are reasonable for financial planning purposes.
- ***Interest Rates*** – Interest earned on fund/reserve balances is estimated to be 3.0 percent per year, which is consistent with the current interest earnings of money invested with the Local Agency Investment Fund (LAIF). Interest calculations are based on beginning-of-year balances. The City also pays interest on outstanding long-term debt obligations. The interest payments on outstanding debt are those contained in existing contracts and repayment schedules.

- *Growth Projections* – The financial plans assume the annual pace of new development equivalent to approximately 1.0 percent of the single family customer base. The estimate is believed to be reasonable and has been reviewed with City staff.
- *Water and Wastewater Impact Mitigation Fees* – Water and wastewater impact mitigation fees for FY 19-20 are based on fee amounts contained in a new fee study. In future years, they are adjusted at the rate of construction inflation. Estimated annual impact mitigation fee revenues are based on the applicable fees and the amount of new development activity. Impact mitigation fee revenue accrues to each Impact Mitigation Fee Fund and is used to help fund planned expansion capital improvement projects. Consistent with the City’s impact mitigation fee methodology, a portion of impact mitigation fee revenue may be transferred each year to the Operating Fund help pay a portion of growth-related debt service obligations (including unmet past obligations).
- *Customer Demand* – The City was under state-mandated water use restrictions during the recent drought. A slight rebound in water demand is expected in FY 18-19 after which the average customer water demands are assumed to remain constant. A full rebound to pre-drought water usage is not included due to hardening of usage (i.e., permanent conservation measures implemented during the drought) and anticipated new water conservation requirements from the State. The assumptions used are believed reasonable and have been reviewed with City staff. Changes in water demand also affect annual wastewater flows used in wastewater revenue analysis, though to a lesser degree. Because wastewater bills are determined based on prior year winter water usage (wastewater average), the impact of the rebound in water demand is delayed in wastewater billing. Also, winter water use (reflecting indoor water use) is expected to rebound by a smaller amount, as most water conservation was achieved through reductions in outdoor irrigation.
- *Operation and Maintenance Costs* – The financial plan model is based on current operating and maintenance costs as reflected in the adopted FY 18-19 operating budget, with future estimates based on the inflation and growth assumptions described above. Assumptions were reviewed with and approved by City staff.
- *Long-Term Debt Obligations* – The City’s water and wastewater utilities are fortunate to have a limited amount of long-term debt. The only water system debt obligation is related to a 2010 water bond. That bond issue included Build America Bonds (BABs), which provided a significant interest rate subsidy from the federal government. The net annual debt service for the water utility is currently slightly less than \$3.0 million, not considering the BABs subsidy that is currently about \$662,000 annually. The wastewater system’s debt obligations include certificates of participation (COPs) issued in 2004, 2010, and 2016. The 2016 COPs were a refunding of the eligible portion of the 2007 COPs and took advantage of lower interest rates. The total annual debt service for the wastewater utility is also currently about \$3.0 million. The water and wastewater debt service obligations reflected in the financial plans are presented in **Exhibits II-2 and II-3**, respectively. No new long-term debt is included in the financial plan analyses.

**Exhibit II-2**  
**City of Lodi**  
**Water System Debt Obligations**

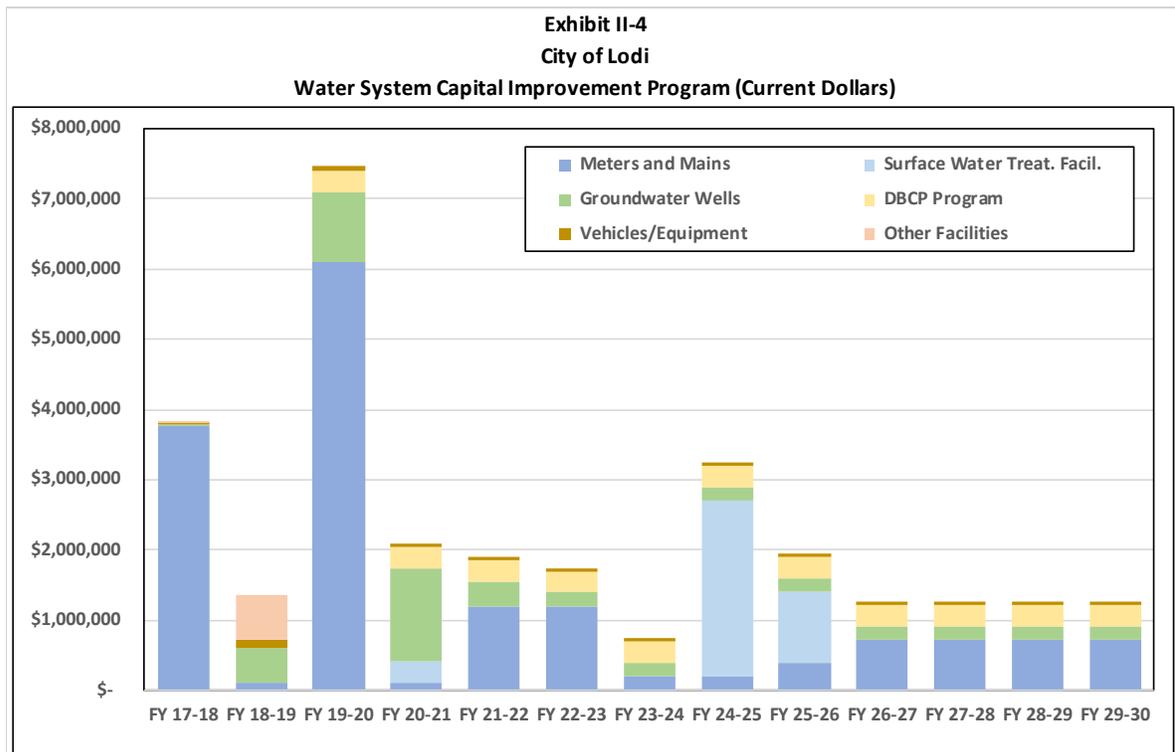
	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
<b>2010 Water Bond Series A</b>													
Principal	\$ 950,000	\$ 980,000	\$ 1,010,000	\$ 1,040,000									
Interest	\$ 126,100	\$ 97,600	\$ 68,200	\$ 36,400									
Annual Payment	\$ 1,076,100	\$ 1,077,600	\$ 1,078,200	\$ 1,076,400									
Ending Balance	\$ 3,030,000	\$ 2,050,000	\$ 1,040,000	\$ -									
<b>2010 Water Bond Series B</b>													
Principal	\$ -	\$ -	\$ -	\$ -	\$ 1,075,000	\$ 1,115,000	\$ 1,150,000	\$ 1,190,000	\$ 1,235,000	\$ 1,285,000	\$ 1,340,000	\$ 1,395,000	\$ 1,450,000
Interest	\$ 1,891,556	\$ 1,891,556	\$ 1,891,556	\$ 1,891,556	\$ 1,891,556	\$ 1,837,656	\$ 1,779,520	\$ 1,717,259	\$ 1,650,452	\$ 1,571,572	\$ 1,489,500	\$ 1,403,914	\$ 1,314,815
Annual Payment	\$ 1,891,556	\$ 1,891,556	\$ 1,891,556	\$ 1,891,556	\$ 2,966,556	\$ 2,952,656	\$ 2,929,520	\$ 2,907,259	\$ 2,885,452	\$ 2,856,572	\$ 2,829,500	\$ 2,798,914	\$ 2,764,815
Ending Balance	\$29,650,000	\$29,650,000	\$29,650,000	\$29,650,000	\$28,575,000	\$27,460,000	\$26,310,000	\$25,120,000	\$23,885,000	\$22,600,000	\$21,260,000	\$19,865,000	\$18,415,000
<b>Total Annual Debt Service</b>	<b>\$ 2,967,656</b>	<b>\$ 2,969,156</b>	<b>\$ 2,969,756</b>	<b>\$ 2,967,956</b>	<b>\$ 2,966,556</b>	<b>\$ 2,952,656</b>	<b>\$ 2,929,520</b>	<b>\$ 2,907,259</b>	<b>\$ 2,885,452</b>	<b>\$ 2,856,572</b>	<b>\$ 2,829,500</b>	<b>\$ 2,798,914</b>	<b>\$ 2,764,815</b>
BABs Interest Subsidy	\$ (662,045)	\$ (662,045)	\$ (662,045)	\$ (662,045)	\$ (662,045)	\$ (643,179)	\$ (622,832)	\$ (601,040)	\$ (577,658)	\$ (550,050)	\$ (521,325)	\$ (491,370)	\$ (460,185)
<b>Net Annual Debt Service</b>	<b>\$ 2,305,611</b>	<b>\$ 2,307,111</b>	<b>\$ 2,307,711</b>	<b>\$ 2,305,911</b>	<b>\$ 2,304,511</b>	<b>\$ 2,309,477</b>	<b>\$ 2,306,688</b>	<b>\$ 2,306,219</b>	<b>\$ 2,307,794</b>	<b>\$ 2,306,522</b>	<b>\$ 2,308,175</b>	<b>\$ 2,307,544</b>	<b>\$ 2,304,630</b>

**Exhibit II-3  
City of Lodi  
Wastewater System Debt Obligations**

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
<b>2004 Wastewater COP</b>													
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,070,000					
Interest	\$ 98,326	\$ 98,326	\$ 98,326	\$ 98,326	\$ 98,326	\$ 98,326	\$ 98,326	\$ 49,163					
Annual Payment	\$ 98,326	\$ 98,326	\$ 98,326	\$ 98,326	\$ 98,326	\$ 98,326	\$ 98,326	\$ 2,119,163					
Ending Balance	\$ 2,070,000	\$ 2,070,000	\$ 2,070,000	\$ 2,070,000	\$ 2,070,000	\$ 2,070,000	\$ 2,070,000	\$ -					
<b>2012 Wastewater COP</b>													
Principal	\$ 1,475,000	\$ 1,535,000	\$ 1,600,000	\$ 1,660,000	\$ 1,725,000	\$ 1,795,000	\$ 1,885,000						
Interest	\$ 474,300	\$ 414,100	\$ 351,400	\$ 286,200	\$ 218,500	\$ 139,125	\$ 47,125						
Annual Payment	\$ 1,949,300	\$ 1,949,100	\$ 1,951,400	\$ 1,946,200	\$ 1,943,500	\$ 1,934,125	\$ 1,932,125						
Ending Balance	\$ 10,200,000	\$ 8,665,000	\$ 7,065,000	\$ 5,405,000	\$ 3,680,000	\$ 1,885,000	\$ -						
<b>2016 Wastewater COP</b>													
Principal	\$ -	\$ 110,000	\$ 110,000	\$ 115,000	\$ 125,000	\$ 140,000	\$ 145,000	\$ 435,000	\$ 2,070,000	\$ 2,175,000	\$ 1,065,000	\$ 1,120,000	\$ 1,180,000
Interest	\$ 849,150	\$ 849,150	\$ 846,950	\$ 843,650	\$ 839,050	\$ 834,050	\$ 827,050	\$ 819,800	\$ 798,050	\$ 694,550	\$ 585,800	\$ 532,550	\$ 476,550
Annual Payment	\$ 849,150	\$ 959,150	\$ 956,950	\$ 958,650	\$ 964,050	\$ 974,050	\$ 972,050	\$ 1,254,800	\$ 2,868,050	\$ 2,869,550	\$ 1,650,800	\$ 1,652,550	\$ 1,656,550
Ending Balance	\$ 20,295,000	\$ 20,185,000	\$ 20,075,000	\$ 19,960,000	\$ 19,835,000	\$ 19,695,000	\$ 19,550,000	\$ 19,115,000	\$ 17,045,000	\$ 14,870,000	\$ 13,805,000	\$ 12,685,000	\$ 11,505,000
<b>Total Annual Debt Service</b>	<b>\$ 2,896,776</b>	<b>\$ 3,006,576</b>	<b>\$ 3,006,676</b>	<b>\$ 3,003,176</b>	<b>\$ 3,005,876</b>	<b>\$ 3,006,501</b>	<b>\$ 3,002,501</b>	<b>\$ 3,373,963</b>	<b>\$ 2,868,050</b>	<b>\$ 2,869,550</b>	<b>\$ 1,650,800</b>	<b>\$ 1,652,550</b>	<b>\$ 1,656,550</b>

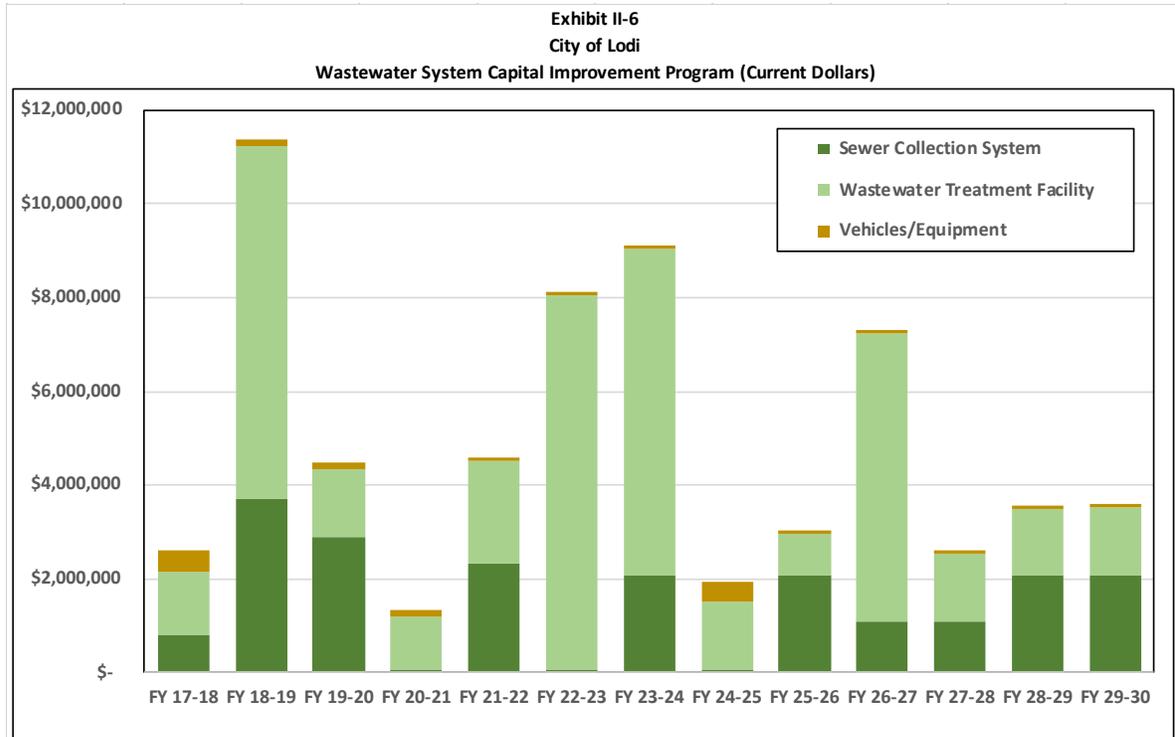
- Capital Improvement Program* – The water utility’s capital improvement plan, as developed by staff, includes multiple projects totaling about \$30.1 million (in current dollars) through FY 29-30 to be funded by the water utility. Planned annual water system CIP expenditures range from about \$750,000 to about \$7.50 million and average about \$2.5 million. **Exhibit II-4** graphically summarizes the water CIP into broad categories of projects, which include meters and mains, surface water treatment facilities, groundwater wells, the DBCP program, vehicles and equipment, and other facilities. A detailed table listing the timing and estimated cost for each water capital improvement project is presented in **Exhibit II-5**.

The wastewater utility’s capital improvement plan, as developed by staff, includes multiple projects totaling about \$72.2 million (in current dollars) during this period to be funded by the wastewater utility. Planned annual wastewater system CIP expenditures range from about \$2.90 million to about \$12.45 million and average about \$6.0 million. **Exhibit II-6** graphically summarizes the wastewater CIP into broad categories of projects, which include the sewer collection system, the wastewater treatment facility, the stormwater system, and vehicles and equipment. A detailed table listing the timing and estimated cost for each wastewater capital improvement project is presented in **Exhibit II-7**.



**Exhibit II-5  
City of Lodi  
Water System Capital Improvement Program (Current Dollars)**

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
<b>Water Capital Outlay 561</b>													
Water Meter/Main Install. Project	\$3,759,502	\$0	\$5,980,000		\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$0			
Water Taps	\$16,728	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Miscellaneous Water Mains	\$0	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000	\$500,000	\$500,000	\$500,000	\$500,000
Water Meter Replacement Program (1% per yr.)	\$0	\$0	\$0	\$0	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$150,000	\$150,000	\$150,000	\$150,000
Public Improvement Reimbursements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
GAC & Meter Repl (DBCP)	\$0	\$0	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Meter Shop Design/Construction	\$15,800	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Southwest Gateway Water Tank	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SWTF PS Generator	\$0	\$0	\$0	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SWTF Membrane Replacement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,000,000	\$0	\$0	\$0	\$0	\$0
SWTF Transmission Line Expansion Design/Constr.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$500,000	\$1,000,000	\$0	\$0	\$0	\$0
MSC Security and Building Improvements	\$0	\$35,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 24 -Pump Rehab/Replacement	\$6,338	\$165,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 7 -Pump Rehab/Electrical Upgrade	\$0	\$175,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 27 -GAC Treatment & Standby Generator	\$0	\$70,000	\$750,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 28 -GAC Treatment	\$0	\$0	\$70,000	\$950,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 22 -Pump Rehab/Replacement	\$0	\$0	\$166,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 14 -Pump Rehab/Replacement	\$0	\$0	\$0	\$0	\$170,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 16 -Pump Rehab/Electrical Upgrade	\$0	\$0	\$0	\$166,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 17 -Pump Rehab/Electrical Upgrade	\$0	\$0	\$0	\$0	\$185,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 21 -Pump Rehab/Electrical Upgrade	\$0	\$0	\$0	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 23 -Pump Rehab/Electrical Upgrade	\$0	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 25 -Pump Rehab/Electrical Upgrade	\$0	\$0	\$0	\$0	\$0	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Well 15 -Pump Rehab/Electrical Upgrade	\$0	\$0	\$0	\$0	\$0	\$0	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0
Well 9 -Pump Rehab/Electrical Upgrade	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200,000	\$0	\$0	\$0	\$0	\$0
Well 5 -Pump Rehab/Electrical Upgrade	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200,000	\$0	\$0	\$0	\$0
Well 18 -Pump Rehab/Electrical Upgrade	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$200,000	\$0	\$0	\$0
Vehicles/Equipment	\$20,354	\$120,000	\$80,000	\$40,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Lockford Street Improvements		\$400,000											
Well Rehabilitation											\$200,000	\$200,000	\$200,000
<b>Total Water Capital Outlay 561</b>	<b>\$3,818,722</b>	<b>\$1,370,000</b>	<b>\$7,471,000</b>	<b>\$2,081,000</b>	<b>\$1,905,000</b>	<b>\$1,750,000</b>	<b>\$750,000</b>	<b>\$3,250,000</b>	<b>\$1,950,000</b>	<b>\$1,275,000</b>	<b>\$1,795,000</b>	<b>\$1,804,000</b>	<b>\$2,014,800</b>
Inflated \$s	\$3,819,000	\$1,370,000	\$7,695,000	\$2,208,000	\$2,082,000	\$1,970,000	\$869,000	\$3,881,000	\$2,398,000	\$1,615,000	\$2,342,000	\$2,424,000	\$2,789,000
<b>Water IMF 562</b>													
Southwest Gateway Water Tank						\$2,700,000							
<b>Total Water IMF 562</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,700,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Inflated \$s	\$0	\$0	\$0	\$0	\$0	\$3,039,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Water CIP</b>	<b>\$3,818,722</b>	<b>\$1,370,000</b>	<b>\$7,471,000</b>	<b>\$2,081,000</b>	<b>\$1,905,000</b>	<b>\$4,450,000</b>	<b>\$750,000</b>	<b>\$3,250,000</b>	<b>\$1,950,000</b>	<b>\$1,275,000</b>	<b>\$1,795,000</b>	<b>\$1,804,000</b>	<b>\$2,014,800</b>



**FINANCIAL PLAN FINDINGS AND CONCLUSIONS**

**Exhibit II-8** provides the details of the water system financial plan model. Current water rate and other operating revenues are adequate to cover current operating and maintenance costs, as well as debt service payments. However, revenues are insufficient to support peak years in the capital improvement program without depleting the Operating Reserve. The primary challenge for the water utility is to provide sufficient funding for the capital improvement program while also covering operating and maintenance costs and maintaining an adequate Operating Reserve.

**Exhibit II-9** graphically summarizes the annual revenues, expenses, and year-end balances of the Water Operating Fund (560) through the planning period. Both Exhibits II-8 and II-9 reflect the proposed water rate adjustments for FY 18-19 through FY 22-23, as well as estimates for future rate adjustments through FY 29-30. It is recommended that the City seek to maintain an Operating Reserve equal to 50 percent of annual operating and maintenance expenses including debt service. However, by limiting annual rate adjustments to the rate of inflation, this target reserve level will not be reached sustainably until the end of the planning period. Also, in FY 19-20 because of Phase 8 of the meter retrofit program, the Operating Reserve will dip below 25 percent. This is a lean financial picture for the foreseeable future.

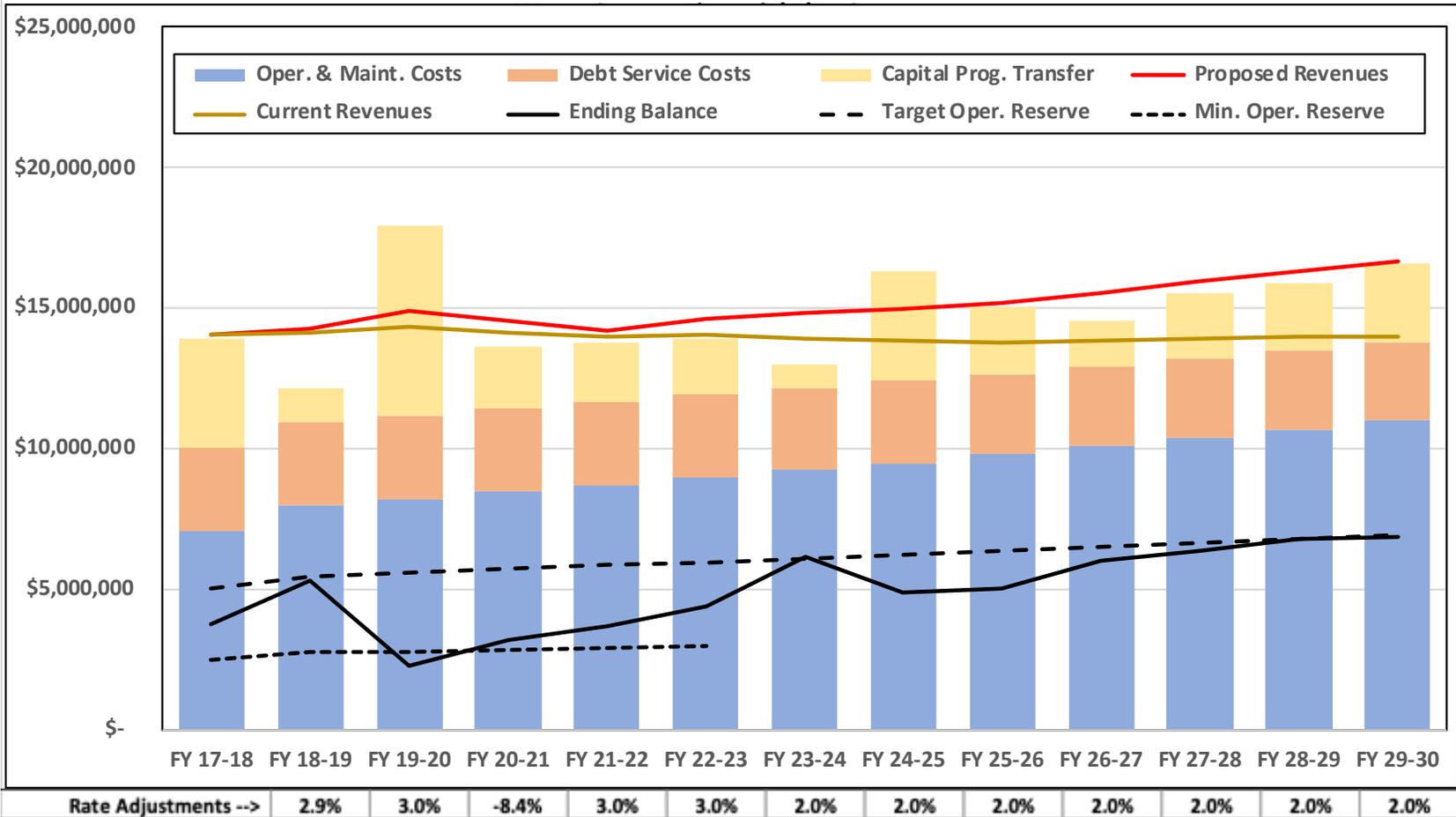
**Exhibit II-7  
City of Lodi  
Wastewater System Capital Improvement Program (Current Dollars)**

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
<b>Wastewater Capital Outlay 531</b>													
Villa Fiore Reimbursement	\$9,974	\$930,000											
Lockeford Street Imprv		\$100,000											
MSC Security Improvements		\$35,000											
Misc. System Relocations		\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Misc. Wastewater Taps	\$2,906	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Collect. System Capac. Enhanc. Projects			\$200,000										
Trunk Line Assessment Phase 2	\$191,397	\$500,000											
Wastewater Main Replac./Lining Proj.	\$35,185	\$2,000,000	\$2,600,000		\$2,000,000		\$2,000,000		\$2,000,000	\$1,000,000	\$1,000,000	\$2,000,000	\$2,000,000
Northeast Sewer Lift Pipe Repl.	\$523	\$60,000											
Sewer Lift Station Wet Well Rehab					\$250,000								
Storm Drain Trash Handling			\$0	\$750,000	\$750,000	\$0	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Vinewood Strom Pump Rehab	\$6,290	\$100,000											
Lincoln Storm Water Pump Rehab			\$75,000										
Kofu Storm Water Pump Rehab					\$200,000								
Salas Storm Water Pump Rehab						\$200,000							
Henery Glaves Storm Water Pump Rehab							\$200,000						
Peterson Storm Water Pump Rehab								\$200,000					
Cluff Storm Water Pump Rehab									\$200,000				
Beckman Storm Water Pump Rehab										\$200,000			
Vehicles /Equipment	\$448,934	\$135,000	\$150,000	\$150,000	\$75,000	\$75,000	\$75,000	\$450,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Collect. System Rehab. (Phase 7 Mtr. Prog.	\$124,536												
Storm Water Pump Rehab											\$200,000	\$200,000	\$200,000
<b>Total Wastewater Capital Outlay 531</b>	<b>\$819,744</b>	<b>\$3,955,000</b>	<b>\$3,100,000</b>	<b>\$975,000</b>	<b>\$3,350,000</b>	<b>\$350,000</b>	<b>\$3,100,000</b>	<b>\$1,475,000</b>	<b>\$3,100,000</b>	<b>\$2,100,000</b>	<b>\$2,100,000</b>	<b>\$3,100,000</b>	<b>\$3,100,000</b>
Inflated \$s	\$820,000	\$3,955,000	\$3,193,000	\$1,034,000	\$3,661,000	\$394,000	\$3,594,000	\$1,761,000	\$3,813,000	\$2,660,000	\$2,740,000	\$4,166,000	\$4,291,000
<b>Wastewater Plant</b>													
White Slough Recycled Water Storage	\$604,545	\$4,000,000											
Structural Corrosion Repair	\$250,866												
Upgrade Blowers		\$750,000											
Irrigation Improvements	\$69,069	\$1,300,000			\$750,000		\$1,000,000		\$1,750,000				
Digester #4 Cleaning		\$220,000											
Field #5 Catwalk Repair													
Field #5 Road Repair	\$352	\$150,000											
Lagoon Cleaning													
Pump & Equipment Upgrades	\$59,997	\$345,000											
Electrical/Screen/SCADA Design	\$307,279	\$200,000	\$900,000	\$600,000									
Electrical Upgrades/SCADA Construction					\$1,000,000	\$7,000,000	\$5,500,000						
Miscellaneous Future Projects		\$100,000	\$100,000										
Cloth Filter Media Replacement		\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Primary Chain Flights			\$40,000		\$40,000		\$40,000		\$40,000		\$40,000		\$40,000
NCPA Maintenance Generator		\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Emergency Generator Maintenance		\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Compliance Studies and Reports		\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
UV Design/Replacement									\$450,000	\$4,000,000			
Aeration Difusser Replacement						\$500,000							
Pond Gates			\$15,000			\$15,000							
UV Crane Replacement		\$10,000											
Band Screen Rebuild				\$75,000									
Primary Skimmers						\$20,000							
Secondary Scum Trough Drives				\$20,000									
DWP-H2 Replacement		\$15,000		\$15,000		\$15,000		\$15,000					
Fan Press Replacement							\$1,000,000						
Wastewater Plant Maintenance	\$53,823												
Unspecified Treatment Plant Rehab											\$1,000,000	\$1,000,000	\$1,000,000
<b>Total Wastewater Plant</b>	<b>\$1,345,930</b>	<b>\$7,500,000</b>	<b>\$1,465,000</b>	<b>\$1,120,000</b>	<b>\$2,200,000</b>	<b>\$7,960,000</b>	<b>\$6,950,000</b>	<b>\$1,425,000</b>	<b>\$900,000</b>	<b>\$6,160,000</b>	<b>\$1,450,000</b>	<b>\$1,410,000</b>	<b>\$1,450,000</b>
Inflated \$s	\$1,346,000	\$7,500,000	\$1,509,000	\$1,188,000	\$2,404,000	\$8,959,000	\$8,057,000	\$1,702,000	\$1,107,000	\$7,803,000	\$1,892,000	\$1,895,000	\$2,007,000
<b>Wastewater IMF 533</b>													
Placeholder 1													
<b>Total Wastewater IMF 533</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Inflated \$s	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Stormwater IMF 535</b>													
Pixley Park Storm Drain Pump Station							\$2,400,000						
<b>Total Stormwater IMF 535</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,400,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Inflated \$s	\$0	\$0	\$0	\$0	\$0	\$0	\$2,782,000	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Wastewater CIP</b>	<b>\$2,165,675</b>	<b>\$11,455,000</b>	<b>\$4,565,000</b>	<b>\$2,095,000</b>	<b>\$5,550,000</b>	<b>\$8,310,000</b>	<b>\$12,450,000</b>	<b>\$2,900,000</b>	<b>\$4,000,000</b>	<b>\$8,260,000</b>	<b>\$3,550,000</b>	<b>\$4,510,000</b>	<b>\$4,550,000</b>

**Exhibit II-8  
City of Lodi  
Water System Financial Plan**

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Rate Adjustments -->	2.9%	3.0%	-8.4%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	April	January	January	January	January	January	January	January	January	January	January	January	January
<b>WATER OPERATING FUND (FUND 560)</b>													
<b>Beginning Balance</b>	\$ 3,597,764	\$ 3,226,236	\$ 5,299,000	\$ 2,300,200	\$ 3,218,900	\$ 3,661,100	\$ 4,368,900	\$ 6,178,100	\$ 4,865,700	\$ 4,999,700	\$ 5,990,200	\$ 6,359,000	\$ 6,747,800
<b>Operating Revenues</b>													
Flat Rate Revenue	\$ 3,574,000	\$ 3,600,000	\$ 3,498,000	\$ 2,955,000	\$ 2,630,000	\$ 2,304,000	\$ 1,464,000	\$ 495,000	\$ -	\$ -	\$ -	\$ -	\$ -
Service Charge Revenue	\$ 5,009,000	\$ 5,079,000	\$ 5,446,000	\$ 5,570,000	\$ 5,575,000	\$ 6,000,000	\$ 6,511,000	\$ 6,900,000	\$ 7,195,000	\$ 7,392,000	\$ 7,595,000	\$ 7,803,000	\$ 7,987,000
Usage Charge Revenue	\$ 4,422,023	\$ 4,345,000	\$ 4,773,000	\$ 4,905,000	\$ 4,845,000	\$ 5,150,000	\$ 5,722,000	\$ 6,414,000	\$ 6,903,000	\$ 7,070,000	\$ 7,249,000	\$ 7,445,000	\$ 7,626,000
BABs Subsidy	\$ 609,966	\$ 662,040	\$ 662,000	\$ 662,000	\$ 662,000	\$ 643,200	\$ 622,800	\$ 601,000	\$ 577,700	\$ 550,100	\$ 521,300	\$ 491,400	\$ 460,200
Miscellaneous Revenue	\$ 384,741	\$ 384,700	\$ 377,300	\$ 377,300	\$ 377,300	\$ 377,300	\$ 377,300	\$ 377,300	\$ 377,300	\$ 377,300	\$ 377,300	\$ 377,300	\$ 377,300
Interest Earnings	\$ 47,005	\$ 158,000	\$ 159,000	\$ 69,000	\$ 96,600	\$ 109,800	\$ 131,100	\$ 185,300	\$ 146,000	\$ 150,000	\$ 179,700	\$ 190,800	\$ 202,400
Trans. from Water IMF Fund for DS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Operating Revenues</b>	\$14,046,734	\$14,228,740	\$14,915,300	\$14,538,300	\$14,185,900	\$14,584,300	\$14,828,200	\$14,972,600	\$15,199,000	\$15,539,400	\$15,922,300	\$16,307,500	\$16,652,900
<b>Operating Expenses and Transfers</b>													
Water Administration	\$ 1,412,525	\$ 1,667,230	\$ 1,717,300	\$ 1,768,500	\$ 1,821,300	\$ 1,875,500	\$ 1,931,500	\$ 1,988,900	\$ 2,048,400	\$ 2,109,400	\$ 2,172,400	\$ 2,237,200	\$ 2,303,700
WID Water Purchases	\$ 1,429,421	\$ 1,448,451	\$ 1,487,900	\$ 1,528,400	\$ 1,570,000	\$ 1,612,800	\$ 1,656,800	\$ 1,703,500	\$ 1,751,500	\$ 1,802,200	\$ 1,854,400	\$ 1,908,000	\$ 1,963,200
Operating Transfer Out	\$ 820,560	\$ 821,900	\$ 846,600	\$ 872,000	\$ 898,200	\$ 925,100	\$ 952,900	\$ 981,500	\$ 1,010,900	\$ 1,041,200	\$ 1,072,400	\$ 1,104,600	\$ 1,137,700
Damage to Property	\$ -	\$ 4,080	\$ 4,200	\$ 4,300	\$ 4,400	\$ 4,500	\$ 4,600	\$ 4,700	\$ 4,800	\$ 4,900	\$ 5,000	\$ 5,100	\$ 5,200
Water Production	\$ 553,542	\$ 694,100	\$ 715,100	\$ 736,600	\$ 758,600	\$ 781,300	\$ 804,700	\$ 828,700	\$ 853,400	\$ 879,200	\$ 905,500	\$ 932,600	\$ 960,400
Electricity	\$ 312,188	\$ 292,920	\$ 303,800	\$ 315,100	\$ 326,900	\$ 339,100	\$ 351,800	\$ 365,300	\$ 379,300	\$ 394,100	\$ 409,500	\$ 425,500	\$ 442,100
Water Distribution	\$ 950,750	\$ 1,050,000	\$ 1,081,400	\$ 1,113,800	\$ 1,147,100	\$ 1,181,400	\$ 1,216,700	\$ 1,253,000	\$ 1,290,200	\$ 1,328,900	\$ 1,368,700	\$ 1,409,600	\$ 1,451,600
Surface Water Treatment Facility	\$ 1,253,687	\$ 1,617,590	\$ 1,666,600	\$ 1,715,700	\$ 1,766,600	\$ 1,819,100	\$ 1,873,000	\$ 1,928,500	\$ 1,985,700	\$ 2,044,700	\$ 2,105,500	\$ 2,168,200	\$ 2,232,600
Electricity	\$ 165,393	\$ 150,000	\$ 155,600	\$ 161,400	\$ 167,400	\$ 173,600	\$ 180,100	\$ 187,000	\$ 194,200	\$ 201,800	\$ 209,700	\$ 217,900	\$ 226,400
Water Conservation	\$ 83,884	\$ 147,440	\$ 151,700	\$ 156,100	\$ 160,700	\$ 165,300	\$ 170,100	\$ 175,100	\$ 180,100	\$ 185,300	\$ 190,700	\$ 196,200	\$ 202,000
DBCP	\$ 77,416	\$ 67,540	\$ 69,600	\$ 71,700	\$ 73,900	\$ 76,100	\$ 78,300	\$ 80,500	\$ 83,000	\$ 85,600	\$ 88,200	\$ 90,900	\$ 93,600
Debt Service	\$ 2,967,656	\$ 2,969,156	\$ 2,969,756	\$ 2,967,956	\$ 2,966,556	\$ 2,952,656	\$ 2,929,520	\$ 2,907,259	\$ 2,885,452	\$ 2,856,572	\$ 2,829,500	\$ 2,798,914	\$ 2,764,815
Transfer to Capital Fund (Fund 561)	\$ 3,868,331	\$ 1,225,590	\$ 6,745,000	\$ 2,208,000	\$ 2,082,000	\$ 1,970,000	\$ 869,000	\$ 3,881,000	\$ 2,398,000	\$ 1,615,000	\$ 2,342,000	\$ 2,424,000	\$ 2,789,000
<b>Total Oper. Expenses and Transfers</b>	\$13,895,353	\$12,155,997	\$17,914,056	\$13,619,556	\$13,743,656	\$13,876,456	\$13,019,020	\$16,284,959	\$15,064,952	\$14,548,872	\$15,553,500	\$15,918,714	\$16,572,315
<b>Ending Balance</b>	\$ 3,749,145	\$ 5,298,979	\$ 2,300,244	\$ 3,218,944	\$ 3,661,144	\$ 4,368,944	\$ 6,178,081	\$ 4,865,742	\$ 4,999,748	\$ 5,990,228	\$ 6,359,001	\$ 6,747,786	\$ 6,828,385
Operating Reserve (50%)	\$ 5,014,000	\$ 5,465,000	\$ 5,585,000	\$ 5,706,000	\$ 5,831,000	\$ 5,953,000	\$ 6,075,000	\$ 6,202,000	\$ 6,333,000	\$ 6,467,000	\$ 6,606,000	\$ 6,747,000	\$ 6,892,000
Available Funds	\$ (1,264,855)	\$ (166,021)	\$ (3,284,756)	\$ (2,487,056)	\$ (2,169,856)	\$ (1,584,056)	\$ 103,081	\$ (1,336,259)	\$ (1,333,252)	\$ (476,772)	\$ (247,000)	\$ 786	\$ (63,615)
Debt Service Coverage (min. 1.25)	\$ 2.48	\$ 2.27	\$ 2.46	\$ 2.25	\$ 2.06	\$ 2.13	\$ 2.13	\$ 2.11	\$ 2.12	\$ 2.18	\$ 2.24	\$ 2.31	\$ 2.37
<b>WATER CAPITAL FUND (FUND 561)</b>													
<b>Beginning Balance</b>	\$ 95,079	\$ 144,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Revenues and Transfers In</b>													
Transfer from Operating Fund	\$ 3,868,331	\$ 1,225,590	\$ 6,745,000	\$ 2,208,000	\$ 2,082,000	\$ 1,970,000	\$ 869,000	\$ 3,881,000	\$ 2,398,000	\$ 1,615,000	\$ 2,342,000	\$ 2,424,000	\$ 2,789,000
Transfer from Water IMF Fund	\$ -	\$ -	\$ 950,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues and Transfers In</b>	\$ 3,868,331	\$ 1,225,590	\$ 7,695,000	\$ 2,208,000	\$ 2,082,000	\$ 1,970,000	\$ 869,000	\$ 3,881,000	\$ 2,398,000	\$ 1,615,000	\$ 2,342,000	\$ 2,424,000	\$ 2,789,000
<b>Capital Program Expenditures</b>													
Capital Projects	\$ 3,819,000	\$ 1,370,000	\$ 7,695,000	\$ 2,208,000	\$ 2,082,000	\$ 1,970,000	\$ 869,000	\$ 3,881,000	\$ 2,398,000	\$ 1,615,000	\$ 2,342,000	\$ 2,424,000	\$ 2,789,000
<b>Total Capital Prog. Expend.</b>	\$ 3,819,000	\$ 1,370,000	\$ 7,695,000	\$ 2,208,000	\$ 2,082,000	\$ 1,970,000	\$ 869,000	\$ 3,881,000	\$ 2,398,000	\$ 1,615,000	\$ 2,342,000	\$ 2,424,000	\$ 2,789,000
<b>Ending Balance</b>	\$ 144,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>WATER IMF FUND (FUND 562)</b>													
<b>Beginning Balance</b>	\$ 702,815	\$ 1,079,382	\$ 1,555,700	\$ 1,181,200	\$ 1,766,700	\$ 2,392,100	\$ 20,400	\$ 640,500	\$ 1,304,200	\$ 2,013,800	\$ 2,771,700	\$ 3,580,600	\$ 4,442,900
<b>Revenues and Transfers In</b>													
Interest Earnings	\$ -	\$ -	\$ 46,700	\$ 35,400	\$ 53,000	\$ 71,800	\$ 600	\$ 19,200	\$ 39,100	\$ 60,400	\$ 83,200	\$ 107,400	\$ 133,300
Water IMF Revenue	\$ 362,481	\$ 476,310	\$ 528,800	\$ 550,100	\$ 572,400	\$ 595,500	\$ 619,500	\$ 644,500	\$ 670,500	\$ 697,500	\$ 725,700	\$ 754,900	\$ 785,400
<b>Total Revenues and Transfers In</b>	\$ 362,481	\$ 476,310	\$ 575,500	\$ 585,500	\$ 625,400	\$ 667,300	\$ 620,100	\$ 663,700	\$ 709,600	\$ 757,900	\$ 808,900	\$ 862,300	\$ 918,700
<b>Water IMF Expend. &amp; Transfers</b>													
Water IMF Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,039,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to Cap. Fund for Projects	\$ -	\$ -	\$ 950,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Water IMF Expend.</b>	\$ -	\$ -	\$ 950,000	\$ -	\$ -	\$ 3,039,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending Balance</b>	\$ 1,065,296	\$ 1,555,692	\$ 1,181,200	\$ 1,766,700	\$ 2,392,100	\$ 20,400	\$ 640,500	\$ 1,304,200	\$ 2,013,800	\$ 2,771,700	\$ 3,580,600	\$ 4,442,900	\$ 5,361,600
Owed Fund 560 for Debt Service	\$ 8,267,794	\$ 9,805,871	\$ 10,394,375	\$ 11,931,679	\$ 13,468,050	\$ 15,007,687	\$ 16,545,500	\$ 18,083,006	\$ 19,621,507	\$ 21,159,155	\$ 22,697,955	\$ 24,236,297	\$ 25,772,707

**Exhibit II-9  
City of Lodi**



**Exhibit II-10** (on two pages) provides the details of the wastewater system financial plan model. The wastewater utility differs from the water utility in that it currently has an Operating Fund balance that greatly exceeds the target Operating Reserve. However, the surplus will be needed to fund peak years of the wastewater capital improvement program. By limiting annual rate adjustments to the rate of inflation the wastewater Operating Reserve will dip near or below the minimum 25 percent level at two points in time over the planning period before recovering to the target 50 percent level.

**Exhibit II-11** graphically summarizes the annual revenues, expenses, and year-end balances of the Wastewater Operating Fund (530) through the planning period. Both Exhibits II-10 and II-11 reflect the proposed wastewater rate adjustments for FY 19-20 through FY 23-24, as well as estimates for future rate adjustments through FY 29-30. This lean financial situation should be monitored closely particularly as the City reaches the peak capital program expenditure years about five years from now.

#### **FINANCIAL PLAN REVENUE REQUIREMENT RECOMMENDATIONS**

The water and wastewater financial plan models were developed in close consultation with Public Works staff in an effort to limit annual rate adjustments to the rate of inflation as determined by changes in the ENR 20-cities construction cost index. Such rate adjustments have been the practice of the City for the past five years. The water system financial plan also incorporates the rate rollback, as previously approved by the City Council for January 2021. At that time, the water rates will be reduced to the levels that existed in 2016. While the rate rollback was intended to coincide with the completion of the meter retrofit program, metering of multi-family apartment complexes and some commercial accounts will still remain at that time.

In summary, the five-year water and wastewater rate recommendations are to continue to adjust water and wastewater rates annually based on changes in the ENR CCI. Because of the timing of this study, the initial water rate adjustments are proposed for April 2019 followed by adjustments each January from 2020 through 2023. Wastewater rate adjustments would all occur in July of each year from 2019 through 2023. Initial adjustments should be 2.9 percent for both water and wastewater, based on the change in the ENR CCI in 2018. Subsequent adjustments would be based on the annual change in the ENR CCI subject to a 3.0 percent annual cap. Every rate adjustment is needed in order to meet the longer-term revenue needs of the utilities. That is, implementing a smaller increase than proposed in any given year could contribute to a future need for rate adjustments that exceed the rate of inflation. This is particularly true with the variability exhibited in the capital improvement programs for both the water and wastewater utilities.

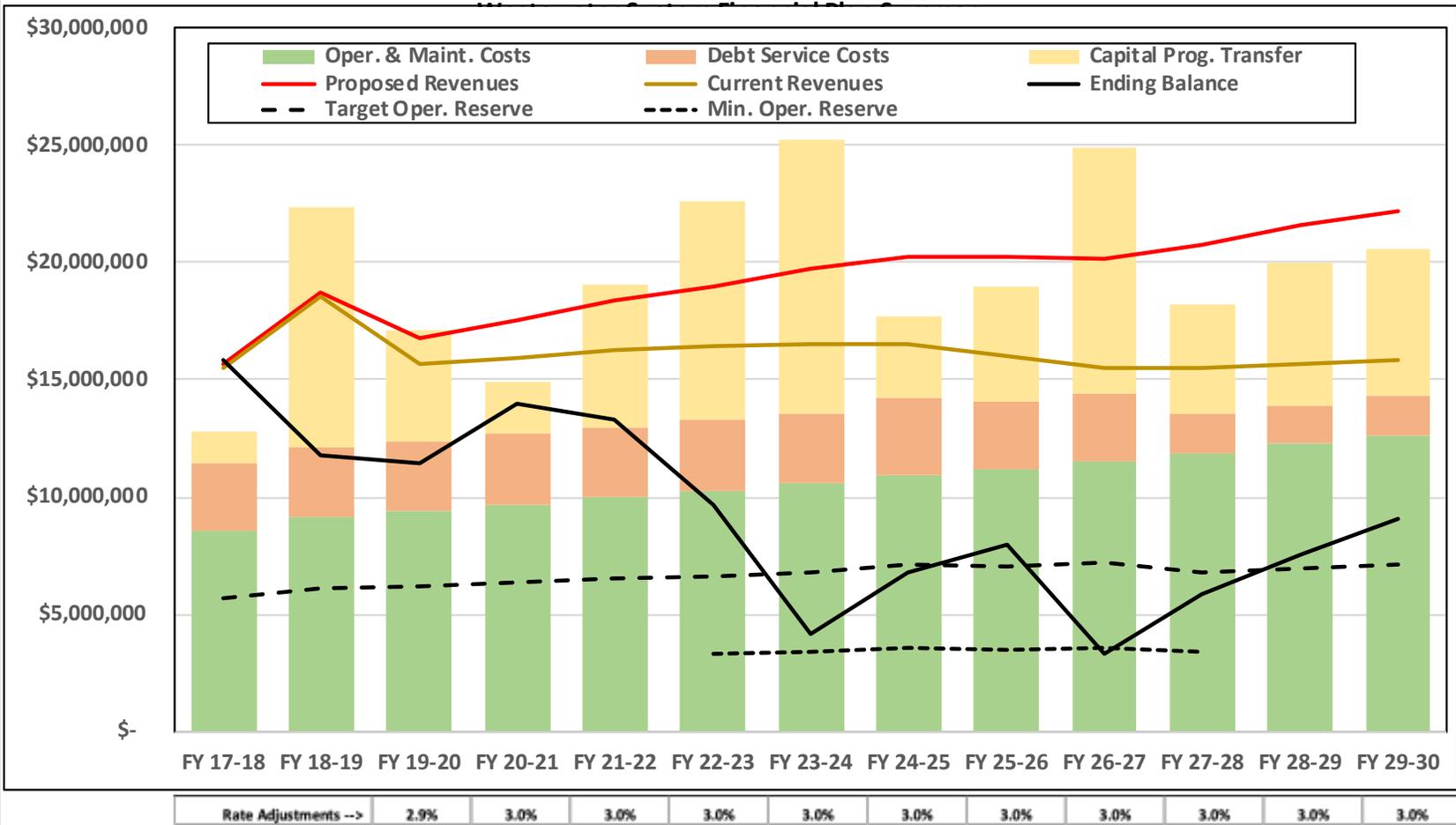
**Exhibit II-10**  
**City of Lodi**  
**Wastewater System Financial Plan**

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
	Rate Adjustments -->		2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
			July	July	July	July	July	July	July	July	July	July	July
<b>WASTEWATER OPERATING FUND (FUND 530)</b>													
<b>Beginning Balance</b>	\$ 12,967,860	\$ 15,365,382	\$ 11,780,300	\$ 11,403,800	\$ 13,990,100	\$ 13,322,200	\$ 9,695,600	\$ 4,200,200	\$ 6,743,500	\$ 7,990,200	\$ 3,278,100	\$ 5,865,300	\$ 7,507,900
<b>Operating Revenues</b>													
Flat Rate Revenue	\$ 4,071,900	\$ 3,297,900	\$ 3,393,600	\$ 3,015,600	\$ 2,619,600	\$ 2,698,200	\$ 2,335,400	\$ 2,405,400	\$ 1,239,000	\$ -	\$ -	\$ -	\$ -
Service Charge Revenue	\$ 5,576,600	\$ 6,113,300	\$ 6,343,600	\$ 6,889,000	\$ 7,458,500	\$ 7,740,700	\$ 8,313,500	\$ 8,626,300	\$ 9,245,700	\$ 9,896,600	\$ 10,264,900	\$ 10,647,100	\$ 11,044,000
Usage Charge Revenue	\$ 5,215,043	\$ 5,796,900	\$ 6,032,500	\$ 6,637,100	\$ 7,267,400	\$ 7,554,900	\$ 8,186,000	\$ 8,507,000	\$ 8,958,200	\$ 9,430,200	\$ 9,798,400	\$ 10,180,700	\$ 10,270,000
Miscellaneous Revenue	\$ 204,007	\$ 180,000	\$ 211,900	\$ 211,900	\$ 211,900	\$ 211,900	\$ 211,900	\$ 211,900	\$ 211,900	\$ 211,900	\$ 211,900	\$ 211,900	\$ 211,900
Grant Revenue	\$ 400,282	\$ 3,150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Earnings	\$ 205,140	\$ 220,000	\$ 353,400	\$ 342,100	\$ 419,700	\$ 399,700	\$ 290,900	\$ 126,000	\$ 202,300	\$ 239,700	\$ 98,300	\$ 176,000	\$ 225,200
Trans. From/(To) WW Rate Stab.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Trans. From WW IMF Fund for DS	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
<b>Total Operating Revenues</b>	\$ 15,672,971	\$ 18,758,100	\$ 16,735,000	\$ 17,495,700	\$ 18,377,100	\$ 19,005,400	\$ 19,737,700	\$ 20,276,600	\$ 20,257,100	\$ 20,178,400	\$ 20,773,500	\$ 21,615,700	\$ 22,151,100
<b>Operating Expenses and Transfers</b>													
Wastewater Administration	\$ 1,324,120	\$ 1,397,140	\$ 1,439,000	\$ 1,481,700	\$ 1,526,100	\$ 1,571,700	\$ 1,618,500	\$ 1,666,600	\$ 1,716,400	\$ 1,767,600	\$ 1,820,200	\$ 1,874,500	\$ 1,930,300
Operating Transfer Out	\$ 1,108,270	\$ 1,083,710	\$ 1,116,200	\$ 1,149,700	\$ 1,184,200	\$ 1,219,700	\$ 1,256,300	\$ 1,294,000	\$ 1,332,800	\$ 1,372,800	\$ 1,414,000	\$ 1,456,400	\$ 1,500,100
Damage to Property	\$ 2,861	\$ 5,800	\$ 5,900	\$ 6,000	\$ 6,100	\$ 6,200	\$ 6,300	\$ 6,400	\$ 6,500	\$ 6,600	\$ 6,700	\$ 6,800	\$ 7,000
White Slough WPCF	\$ 3,828,052	\$ 4,434,580	\$ 4,567,800	\$ 4,704,900	\$ 4,845,800	\$ 4,990,800	\$ 5,140,200	\$ 5,294,400	\$ 5,453,100	\$ 5,616,400	\$ 5,784,900	\$ 5,958,400	\$ 6,137,000
Electricity	\$ 629,470	\$ 603,060	\$ 621,200	\$ 639,800	\$ 659,000	\$ 678,800	\$ 699,200	\$ 720,200	\$ 741,800	\$ 764,100	\$ 787,000	\$ 810,600	\$ 834,900
Sanitary System Maintenance	\$ 889,128	\$ 791,730	\$ 815,700	\$ 840,100	\$ 865,200	\$ 891,100	\$ 917,700	\$ 945,200	\$ 973,500	\$ 1,002,600	\$ 1,032,500	\$ 1,063,400	\$ 1,095,000
Storm Drainage Maintenance	\$ 565,918	\$ 725,890	\$ 748,000	\$ 770,500	\$ 793,600	\$ 817,400	\$ 841,900	\$ 867,200	\$ 893,100	\$ 919,900	\$ 947,400	\$ 975,700	\$ 1,004,600
Industrial System Maintenance	\$ 5,590	\$ 12,200	\$ 12,500	\$ 12,800	\$ 13,100	\$ 13,400	\$ 13,700	\$ 14,000	\$ 14,300	\$ 14,600	\$ 14,900	\$ 15,200	\$ 15,500
Water/Wastewater Personnel	\$ 139,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Watershed Education	\$ 42,290	\$ 74,310	\$ 76,500	\$ 78,700	\$ 81,000	\$ 83,400	\$ 85,800	\$ 88,300	\$ 90,800	\$ 93,300	\$ 95,900	\$ 98,500	\$ 101,300
Debt Service	\$ 2,896,776	\$ 3,006,576	\$ 3,006,700	\$ 3,003,200	\$ 3,005,900	\$ 3,006,500	\$ 3,002,500	\$ 3,374,000	\$ 2,868,100	\$ 2,869,600	\$ 1,650,800	\$ 1,652,600	\$ 1,656,600
Transfer to Capital Fund (Fund 531)	\$ 1,345,754	\$ 10,208,149	\$ 4,702,000	\$ 2,222,000	\$ 6,065,000	\$ 9,353,000	\$ 11,651,000	\$ 3,463,000	\$ 4,920,000	\$ 10,463,000	\$ 4,632,000	\$ 6,061,000	\$ 6,298,000
<b>Total Oper. Expenses and Transfers</b>	\$ 12,777,941	\$ 22,343,145	\$ 17,111,500	\$ 14,909,400	\$ 19,045,000	\$ 22,632,000	\$ 25,233,100	\$ 17,733,300	\$ 19,010,400	\$ 24,890,500	\$ 18,186,300	\$ 19,973,100	\$ 20,580,300
<b>Ending Balance</b>	<b>\$ 15,862,890</b>	<b>\$ 11,780,337</b>	<b>\$ 11,403,800</b>	<b>\$ 13,990,100</b>	<b>\$ 13,322,200</b>	<b>\$ 9,695,600</b>	<b>\$ 4,200,200</b>	<b>\$ 6,743,500</b>	<b>\$ 7,990,200</b>	<b>\$ 3,278,100</b>	<b>\$ 5,865,300</b>	<b>\$ 7,507,900</b>	<b>\$ 9,078,700</b>
Operating Reserve (50%)	\$ 5,716,000	\$ 6,067,000	\$ 6,205,000	\$ 6,344,000	\$ 6,490,000	\$ 6,640,000	\$ 6,791,000	\$ 7,135,000	\$ 7,045,000	\$ 7,214,000	\$ 6,777,000	\$ 6,956,000	\$ 7,141,000
Available Funds	\$ 10,146,890	\$ 5,713,337	\$ 5,198,800	\$ 7,646,100	\$ 6,832,200	\$ 3,055,600	\$ (2,590,800)	\$ (391,500)	\$ 945,200	\$ (3,935,900)	\$ (911,700)	\$ 551,900	\$ 1,937,700
Debt Service Coverage (min. 1.25)	2.64	3.51	2.45	2.62	2.82	2.94	3.09	2.80	3.18	3.04	5.45	5.75	5.86
<b>WASTEWATER CAPITAL FUND (FUND 531)</b>													
<b>Beginning Balance</b>	\$ 1,067,097	\$ 246,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Revenues and Transfers In</b>													
Transfer from Operating Fund	\$ 1,345,754	\$ 10,208,149	\$ 4,702,000	\$ 2,222,000	\$ 6,065,000	\$ 9,353,000	\$ 11,651,000	\$ 3,463,000	\$ 4,920,000	\$ 10,463,000	\$ 4,632,000	\$ 6,061,000	\$ 6,298,000
Transfer from WW IMF Fund	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues and Transfers In</b>	\$ 1,345,754	\$ 11,208,149	\$ 4,702,000	\$ 2,222,000	\$ 6,065,000	\$ 9,353,000	\$ 11,651,000	\$ 3,463,000	\$ 4,920,000	\$ 10,463,000	\$ 4,632,000	\$ 6,061,000	\$ 6,298,000
<b>Capital Program Expenditures</b>													
Wastewater Capital Outlay	\$ 820,000	\$ 3,955,000	\$ 3,193,000	\$ 1,034,000	\$ 3,661,000	\$ 394,000	\$ 3,594,000	\$ 1,761,000	\$ 3,813,000	\$ 2,660,000	\$ 2,740,000	\$ 4,166,000	\$ 4,291,000
Wastewater Plant	\$ 1,346,000	\$ 7,500,000	\$ 1,509,000	\$ 1,188,000	\$ 2,404,000	\$ 8,959,000	\$ 8,057,000	\$ 1,702,000	\$ 1,107,000	\$ 7,803,000	\$ 1,892,000	\$ 1,895,000	\$ 2,007,000
<b>Total Capital Prog. Expend.</b>	\$ 2,166,000	\$ 11,455,000	\$ 4,702,000	\$ 2,222,000	\$ 6,065,000	\$ 9,353,000	\$ 11,651,000	\$ 3,463,000	\$ 4,920,000	\$ 10,463,000	\$ 4,632,000	\$ 6,061,000	\$ 6,298,000
<b>Ending Balance</b>	<b>\$ 246,851</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Exhibit II-10 -- Continued**  
**City of Lodi**  
**Wastewater System Financial Plan**

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
<b>WASTEWATER IMF FUND (FUND 533)</b>													
<b>Beginning Balance</b>	\$ 759,967	\$ 809,400	\$ 712,500	\$ 621,700	\$ 539,900	\$ 467,600	\$ 405,700	\$ 355,000	\$ 316,400	\$ 290,700	\$ 279,000	\$ 282,200	\$ 301,400
<b>Revenues and Transfers In</b>													
Interest Earnings	\$ -	\$ -	\$ 21,400	\$ 18,700	\$ 16,200	\$ 14,000	\$ 12,200	\$ 10,700	\$ 9,500	\$ 8,700	\$ 8,400	\$ 8,500	\$ 9,000
Wastewater IMF Revenue	\$ 503,776	\$ 903,130	\$ 287,800	\$ 299,500	\$ 311,500	\$ 324,100	\$ 337,100	\$ 350,700	\$ 364,800	\$ 379,600	\$ 394,800	\$ 410,700	\$ 427,200
<b>Total Revenues and Transfers In</b>	\$ 503,776	\$ 903,130	\$ 309,200	\$ 318,200	\$ 327,700	\$ 338,100	\$ 349,300	\$ 361,400	\$ 374,300	\$ 388,300	\$ 403,200	\$ 419,200	\$ 436,200
<b>Wastewater IMF Expend. &amp; Transfers</b>													
Wastewater IMF Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to Oper. for Debt Service	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Transfer to Cap. for Projects	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Wastewater IMF Expend.</b>	\$ -	\$ 1,000,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
<b>Ending Balance</b>	<b>\$ 1,263,743</b>	<b>\$ 712,530</b>	<b>\$ 621,700</b>	<b>\$ 539,900</b>	<b>\$ 467,600</b>	<b>\$ 405,700</b>	<b>\$ 355,000</b>	<b>\$ 316,400</b>	<b>\$ 290,700</b>	<b>\$ 279,000</b>	<b>\$ 282,200</b>	<b>\$ 301,400</b>	<b>\$ 337,600</b>
Owed Fund 530 for Debt Service	\$ 5,546,549	\$ 5,899,508	\$ 6,852,523	\$ 7,803,963	\$ 8,756,618	\$ 9,709,543	\$ 10,660,668	\$ 11,778,968	\$ 12,669,613	\$ 13,560,933	\$ 13,903,793	\$ 14,247,463	\$ 14,592,933
<b>STORMWATER IMF FUND (FUND 535)</b>													
<b>Beginning Balance</b>	\$ 925,574	\$ 930,384	\$ 945,700	\$ 1,069,000	\$ 1,199,800	\$ 1,338,600	\$ 1,485,700	\$ (1,140,400)	\$ (1,058,900)	\$ (970,300)	\$ (874,200)	\$ (770,100)	\$ (657,600)
<b>Revenues and Transfers In</b>													
Interest Earnings	\$ -	\$ -	\$ 28,400	\$ 32,100	\$ 36,000	\$ 40,200	\$ 44,600	\$ (34,200)	\$ (31,800)	\$ (29,100)	\$ (26,200)	\$ (23,100)	\$ (19,700)
Stormwater IMF Revenue	\$ 7,759	\$ 15,330	\$ 94,900	\$ 98,700	\$ 102,800	\$ 106,900	\$ 111,300	\$ 115,700	\$ 120,400	\$ 125,200	\$ 130,300	\$ 135,600	\$ 141,000
<b>Total Revenues and Transfers In</b>	\$ 7,759	\$ 15,330	\$ 123,300	\$ 130,800	\$ 138,800	\$ 147,100	\$ 155,900	\$ 81,500	\$ 88,600	\$ 96,100	\$ 104,100	\$ 112,500	\$ 121,300
<b>Stormwater IMF Expend. &amp; Transfers</b>													
Stormwater IMF Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,782,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to Cap. for Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Stormwater IMF Expend.</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,782,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Ending Balance</b>	<b>\$ 933,333</b>	<b>\$ 945,714</b>	<b>\$ 1,069,000</b>	<b>\$ 1,199,800</b>	<b>\$ 1,338,600</b>	<b>\$ 1,485,700</b>	<b>\$ (1,140,400)</b>	<b>\$ (1,058,900)</b>	<b>\$ (970,300)</b>	<b>\$ (874,200)</b>	<b>\$ (770,100)</b>	<b>\$ (657,600)</b>	<b>\$ (536,300)</b>
<b>WASTEWATER RATE STABILIZATION FUND (FUND 534)</b>													
<b>Beginning Balance</b>	\$ 500,000	\$ 500,000	\$ 500,000	\$ 515,000	\$ 530,500	\$ 546,400	\$ 562,800	\$ 579,700	\$ 597,100	\$ 615,000	\$ 633,500	\$ 652,500	\$ 672,100
<b>Revenues and Transfers In</b>													
Interest Earnings	\$ -	\$ -	\$ 15,000	\$ 15,500	\$ 15,900	\$ 16,400	\$ 16,900	\$ 17,400	\$ 17,900	\$ 18,500	\$ 19,000	\$ 19,600	\$ 20,200
Transfers From/(To) Oper. Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revs. and Transfers In/(Out)</b>	\$ -	\$ -	\$ 15,000	\$ 15,500	\$ 15,900	\$ 16,400	\$ 16,900	\$ 17,400	\$ 17,900	\$ 18,500	\$ 19,000	\$ 19,600	\$ 20,200
<b>Ending Balance</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 515,000</b>	<b>\$ 530,500</b>	<b>\$ 546,400</b>	<b>\$ 562,800</b>	<b>\$ 579,700</b>	<b>\$ 597,100</b>	<b>\$ 615,000</b>	<b>\$ 633,500</b>	<b>\$ 652,500</b>	<b>\$ 672,100</b>	<b>\$ 692,300</b>

**Exhibit II-11  
City of Lodi**



As proposed, the City should anticipate adjusting water and wastewater rates by the following amounts:

***Water Utility***

April 2019	2.9%	
January 2020	3.0%	
January 2021	-8.4%	(rollback to 2016 rates)
January 2022	3.0%	
January 2023	3.0%	

***Wastewater Utility***

July 2019	2.9%
July 2020	3.0%
July 2021	3.0%
July 2022	3.0%
July 2023	3.0%

The water and wastewater system financial plan models reflect assumptions and estimates that are believed reasonable at the present time. However, conditions change. It is recommended that the City review the financial conditions of the utilities annually as part of the budget process and perform a more comprehensive financial plan and rate update study every 3 to 5 years, unless otherwise needed sooner.

**WATER SHORTAGE FINANCIAL ANALYSIS**

This study also included an analysis of the financial impacts associated with drought and reduced water sales. The City (and the entire State) recently emerged from an extended drought, which included State-mandated water use restrictions. Reduced water sales in recent years have had a financial impact of the water utility as the reduction in water sales revenue exceeded the reduction in water system costs. The financial strain placed on the City's water utility was similar to the strain confronted by many other utilities. With this recent experience, the City is concerned about potential financial impact of a future drought and reduced water usage on the water utility. As a result, a financial analysis of the potential impact of drought was performed as part of this study with the intent of identifying and developing tools for countering the potential financial impacts associated with water shortage conditions.

The City's water utility can be affected in several ways by drought conditions. Changes in operating and maintenance costs and revenues can include:

- Reduced water sales and water sales revenue
- Reduced water purchases and water purchase costs
- Reduced or increased groundwater production and production costs<sup>2</sup>
- Increased water conservation and education/assistance program costs.

<sup>2</sup> An increase in groundwater production costs could result from a shift in water supply mix away from WID water purchases and towards groundwater production.

While the reduction in water sales revenue would be partially offset by the reduction in water purchase and production costs, revenue typically declines more than costs creating a financial deficit. Increased water conservation program costs, including education and assistance programs, add to the financial deficit created by water shortage.

In response to water shortage, and the financial deficit created, the City has the ability to take several actions. The analysis presented herein focused on three potential courses of action, including:

- Using available financial reserves, including portions of the water Operating Reserve
- Supplementing water rate revenues through imposition of temporary water shortage surcharges
- In more severe conditions deferring capital program expenditures to reduce costs and preserve cash.

The City could also reduce operating and maintenance costs, where possible, or seek outside funding sources, such as grants, to help bridge a financial deficit.

In its 2015 Urban Water Management Plan, the City has established a *Water Shortage Contingency Plan (WSCP)*. Beyond normal water supply conditions, the WSCP defines five stages of use supply reductions, as indicated below.

- ***Normal Supply*** – Under normal conditions the City has adequate water supplies to meet all customer water demands. Both water supply and demand could fluctuate by up to 5 percent without creating concern for the utility.
- ***Potential Shortage (Stage 1)*** – A potential shortage exists when water supplies are reduced from 5 to 10 percent from normal conditions. In this situation, the City would impose voluntary water use restrictions and encourage customers to reduce water demand commensurate with the limited water supply.
- ***Minor Shortage (Stage 2)*** – A minor shortage exists when water supplies are reduced from 10 to 20 percent from normal conditions. In this situation, the City would impose mandatory water use restrictions and encourage customers to reduce water demand commensurate with the limited water supply.
- ***Moderate Shortage (Stage 3)*** – A moderate shortage exists when water supplies are reduced from 20 to 30 percent from normal conditions. In this situation, the City would impose additional mandatory water use restrictions and require customers to reduce water demand commensurate with the limited water supply.
- ***Severe Shortage (Stage 4)*** – A severe shortage exists when water supplies are reduced from 30 to 50 percent from normal conditions. In this situation, the City would impose stricter mandatory water use restrictions and require customers to reduce water demand commensurate with the limited water supply.
- ***Critical Shortage (Stage 5)*** – A critical shortage exists when water supplies are reduced by more than 50 percent from normal conditions. In this situation, the City would impose the most stringent water use restrictions and require customers to reduce water demand commensurate with the limited water supply.

The California Legislature and the State Water Resources Control Board are in the process of developing new laws and regulations for implementing the Governor's order for expanding water conservation requirements as well as planning and preparing for future water shortages<sup>3</sup>. The new laws and regulations are evolving and the City may need to modify its WSCP once State regulations have been finalized.

Using the financial plan model, an analysis of the potential financial impacts of water shortages was performed. The analysis includes estimating the magnitude of reduced revenue, reduced costs, and increased costs that may be associated with various stages of water shortage. The analysis was performed using financial plan estimates for CY 2025, which is when all customers are expected to be on metered water rates. **Exhibit II-12** summarizes estimated CY 2025 operating revenues and water system costs under *normalized* water supply conditions and under various water shortage conditions. The shortage analysis starts with normal conditions whereby revenues and expenses are effectively in balance<sup>4</sup>. Under water shortage conditions, a financial deficit is likely to emerge and increases with increasing severity of drought conditions. **Exhibit II-13** graphically illustrates the financial deficit created by reduced water sales resulting from water shortage conditions as defined by the City's WSCP.

**Exhibit II-14** graphically illustrates how the financial deficit created by reduced water sales could be bridged through a combination of actions. Under potential shortage conditions and voluntary use restrictions, the City would rely on its Operating Reserve to bridge the deficit gap. Under more significant conditions with mandatory use restrictions, the City would implement the proposed temporary water shortage rate surcharges to provide supplemental water rate revenue, thereby reducing the impact on reserves. Financial analysis indicates that it would not be necessary to reduce capital improvement program expenditures during minor and moderate shortage periods. However, in severe and critical conditions modest CIP deferrals may be necessary. By invoking the temporary water shortage surcharge during periods of mandatory use restrictions the City would provide customers with a financial incentive for meeting use reduction goals, and also preserve its water system reserves as protection against extended droughts or other risks. In addition, once reserves are drawn down, the City would be faced with having to replenish them, which may necessitate a subsequent rate increase (likely in excess of inflation rates) to re-establish financial stability.

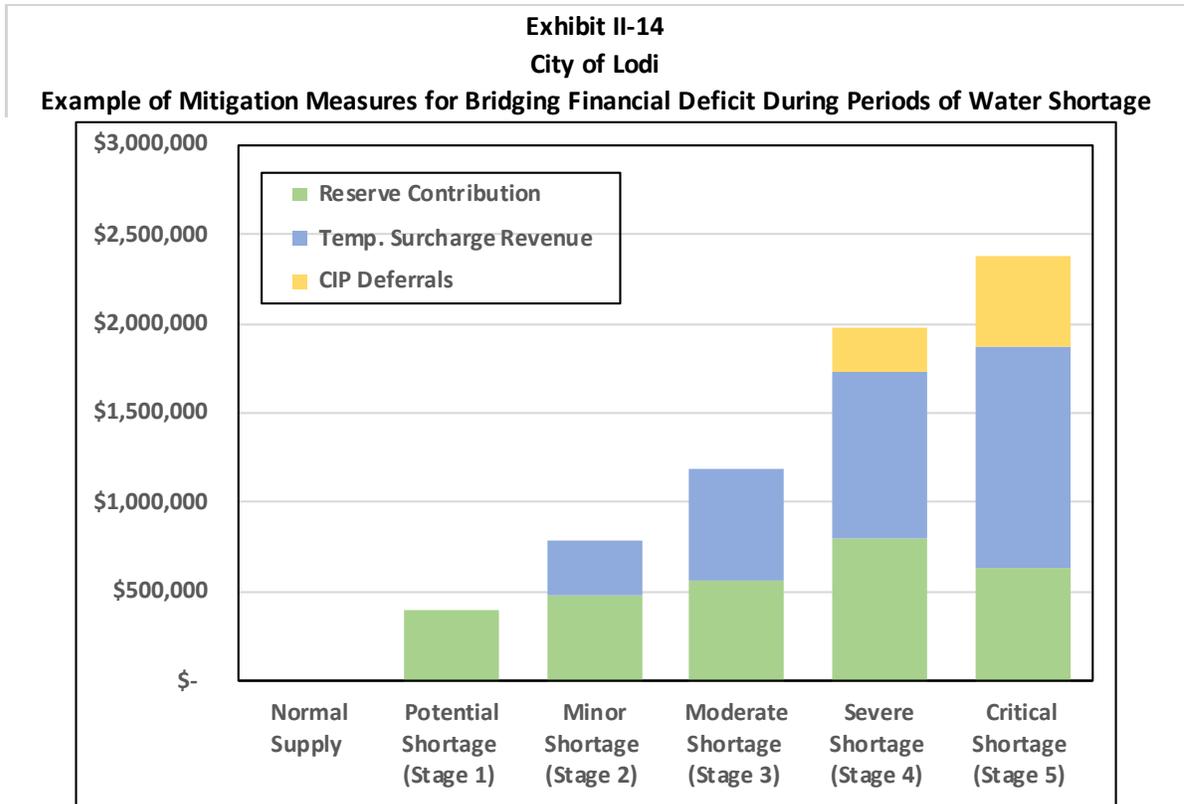
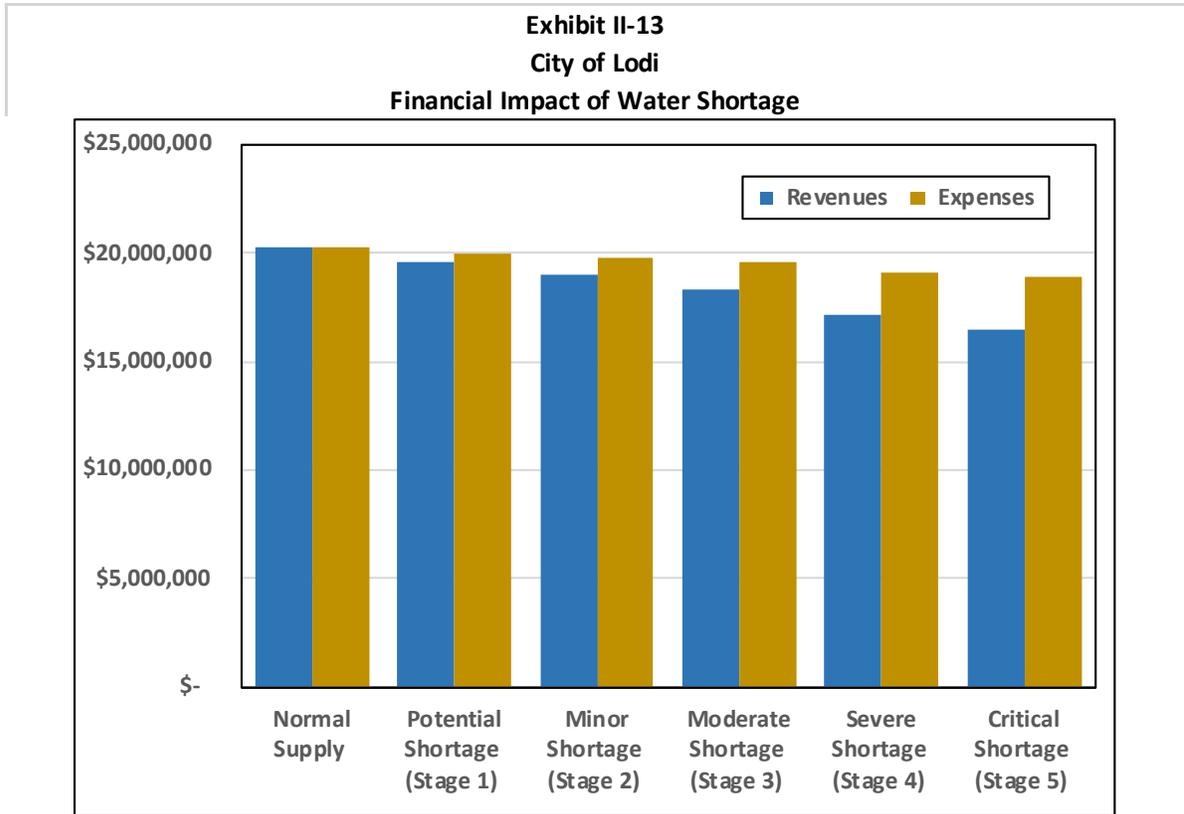
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<sup>3</sup> See [www.waterboards.ca.gov/water\\_issues/programs/conservation\\_portal/california\\_statutes.html](http://www.waterboards.ca.gov/water_issues/programs/conservation_portal/california_statutes.html) for the most recent developments.

<sup>4</sup> For the "Normal Supply" condition this analysis shows water operating revenue to be in balance with total costs, even though the costs may include contributions into or from financial reserves, as well as capital program funding. This balanced perspective is necessary to evaluate the impact shortage conditions with reduced water sales.

**Exhibit II-12  
City of Lodi  
Strategy to Mitigate the Financial Impact of Water Shortage**

<i>Water Shortage Conditions</i>	Supply Reduction		CY 2025 Financial Analysis (No Flat Rate Revenue)								Temporary Water Shortage Surcharge	
	Low End of Range	High End of Range	Water Operating Revenue	Variable Costs	Fixed Costs	Total Costs	Financial Deficit	Reserve Contribution	Wtr. Short. Surcharge Contribution	CIP Deferrals		
Normal Supply	0%	0%	\$ 20,221,100	\$ 2,255,800	\$ 17,965,300	\$ 20,221,100	\$ -	\$ -	\$ -	\$ -	\$ -	<b>None</b>
Potential Shortage	5%	10%	\$ 19,599,700	\$ 2,030,200	\$ 17,965,300	\$ 19,995,500	\$ (395,800)	\$ 395,800	\$ -	\$ -	\$ -	<b>None</b>
Minor Shortage	10%	20%	\$ 18,978,400	\$ 1,804,600	\$ 17,965,300	\$ 19,769,900	\$ (791,500)	\$ 480,800	\$ 310,700	\$ -	\$ -	<b>5%</b>
Moderate Shortage	20%	30%	\$ 18,357,000	\$ 1,579,100	\$ 17,965,300	\$ 19,544,400	\$ (1,187,400)	\$ 566,000	\$ 621,400	\$ -	\$ -	<b>10%</b>
Severe Shortage	30%	50%	\$ 17,114,300	\$ 1,127,900	\$ 17,965,300	\$ 19,093,200	\$ (1,978,900)	\$ 796,800	\$ 932,100	\$ 250,000	\$ -	<b>15%</b>
Critical Shortage	50%	60%	\$ 16,492,900	\$ 902,300	\$ 17,965,300	\$ 18,867,600	\$ (2,374,700)	\$ 632,000	\$ 1,242,700	\$ 500,000	\$ -	<b>20%</b>



Considering that droughts may extend over several years (as the most recent drought did) generating revenue through the shortage surcharge would help preserve the Operating Reserve and lessen the longer-term impact created by extended water shortage conditions. In effect, the temporary water shortage surcharges provide the City with an additional tool for managing the financial risk associated with water shortage conditions.

Adopting the water shortage rate surcharges (presented in Section III of this report) is an important step in providing a comprehensive strategy to protect the water utility's financial condition against the uncertainty associated with potential future drought conditions.

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**SECTION III. WATER RATES**

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This section of the report presents water rate recommendations and schedules for the next five years. The water system financial plan, presented in the previous section, was used to determine the annual water rate revenue requirements and to develop the strategy for meeting current and future financial obligations. As described in this section, no changes to the water rate structures are proposed at this time.

This section also presents recommendations for adopting a new temporary water shortage rate surcharge, which could be implemented in the event of a future drought or water shortage that necessitates mandatory water use restrictions and reductions in usage.

**CURRENT WATER RATES**

The current water rate schedule is summarized in **Exhibit III-1**. The City last adjusted its water rates in 2017. The last comprehensive water rate study occurred in 2013. The City is continuing to transition customers from flat (unmetered) water rates to usage-based (metered) water rates as the meter retrofit program continues. The City's goal is to have all customers on metered water rates by 2025.

Flat water rates include a fixed monthly charge for single family homes and multi-family dwelling units based on the number of bedrooms. A small number of non-residential accounts also pay flat water rates based on the number of equivalent dwelling units.

The metered water rates include a fixed monthly service charge based on the size of the water meter. Single family accounts are subject to a 3-tier usage rate structure and multi-family and non-residential accounts pay a uniform water usage rate. The tiered water usage rates for single family homes was originally developed in 2009. The tier structure reflects differences in water supply costs (groundwater and WID water) and provides a proportionate method of allocating costs that also helps to achieve the City's water conservation objectives. The uniform water usage rate applicable to multi-family and non-residential accounts is equal to the weighted average of the single family tier rates to ensure proportionality between customer classes. Tier rates were determined to not be suitable for multi-family and non-residential accounts due to the diversity of water use characteristics and the more complex and costly administrative requirements.

Minor refinements to the metered water rate structure were made as part of the 2013 update study. The rate structure was also reviewed in 2015 following the Appellate Court decision in *City of San Juan Capistrano v. Capistrano Taxpayers Association*.

At present, about 46 percent of metered water rate revenue is generated from water usage charges and about 54 percent from fixed service charges. Both flat and metered rates are generally performing as intended and each element of the water rate structures continues to reflect a proportionate allocation of costs to each customer based on estimated (unmetered) or actual (metered) usage as well as capacity and service requirements.

<b>Exhibit III-1 City of Lodi Current Water Rates (1)</b>		
<b>Monthly Flat Water Rates (Unmetered)</b>		
Single Family Residential		
1 bedroom	\$	32.84
2 bedroom	\$	39.44
3 bedroom	\$	47.27
4 bedroom	\$	56.79
5 bedroom	\$	68.11
Multi-Family Units		
1 bedroom	\$	28.19
2 bedroom	\$	33.81
3 bedroom	\$	40.58
4 bedroom	\$	48.68
Non-Residential		
Per ESFU	\$	39.44
<b>Monthly Service Charges (Metered)</b>		
Up to 3/4" meter	\$	21.87
1" meter	\$	34.34
1 1/2" meter	\$	65.25
2" meter	\$	102.52
3" meter	\$	189.50
4" meter	\$	313.73
6" meter	\$	624.03
8" meter	\$	996.55
10" meter	\$	1,431.26
<b>Water Usage Rates (Metered) -- \$/CCF</b>		
Single Family Residential		
Tier 1 (0-10 CCF)	\$	0.97
Tier 2 (11-50 CCF)	\$	1.29
Tier 3 (> 50 CCF)	\$	1.60
Multi-Family	\$	1.15
Non-Residential	\$	1.15
<b>Notes:</b>		
(1) Water rates were last adjusted in 2017 based on Resolution 2017-23.		

### CONTINUING TRANSITION TO METERED WATER RATES

The City continues to install water meters on all unmetered water service connections. In FY 17-18, the City completed Phase 7 of the meter retrofit program. Phase 8 will commence in FY 19-20, followed by Stage 9 to install meters on apartment complexes and a small number of remaining non-residential accounts.

The City provides customers with water usage information and flat vs. metered water bill information prior to converting them to the metered water rates. Because of this lag between meter installation and metered billing, the final conversion to metered billing may not occur until January 2025. As described in the next section, customers are also converted

to metered wastewater usage rates. That wastewater billing conversion generally happens 18 months after the water billing conversion.

In general, most customers benefit from the transition to metered water and wastewater rates. This is because for most customers actual usage is somewhat less than the average usage on which flat rates have been based.

The transition to metered billing for multi-family apartment complexes will have a more significant impact on water rate revenue. Under the current flat rates, each dwelling unit is billed separately for water service. However, for a variety of reasons it is generally impractical and infeasible to install separate water meters on each apartment unit. Therefore, apartment complexes will generally have a single (or in some cases a few) master meters that serve the entire complex. Under the metered rate structure, in which service charges are based on meter sizes for each connection and usage charges based on actual usage and the uniform usage rate, water rate revenue from apartment complexes will likely be less than the aggregate flat rate revenue from billing individual units. While the financial plan analyses contained in this study incorporate estimates for this impact as the transition occurs, the actual impact will depend on the specific number and sizes of master meters installed as part of the meter retrofit program for multi-family customers.

#### **PROPOSED MULTI-YEAR WATER RATE SCHEDULES**

**Exhibit III-2** summarizes proposed maximum flat and metered water rate schedules for rates to be effective in April 2019, as well as for each January from 2020 through 2023. The later years of this multi-year rate plan reflect the annual revenue requirements through FY 23-24, as well as the previously approved water rate rollback scheduled for January 2021, based on the water system financial plan presented in Section II of this report.

Continuing with recent practice, the City should adjust water rates annually based on changes in the ENR CCI, subject to a 3.0 percent annual cap. The rate schedules shown in Exhibit III-2 include 3.0 percent adjustments in future years (excluding the January 2021 rate rollback). Therefore, for the five-year Proposition 218 rate period, the schedules reflect the maximum amount of the water rates with each adjustment. If actual inflation is less than 3.0 percent, then the implemented schedules would be correspondingly lower.

As previously described, no rate structure changes are proposed at this time. However, it is recommended that the next rate study include a comprehensive cost of service update as all water meters will likely be installed by that time and the City will have more complete knowledge and understanding of water usage for all customers and customer classes, as well as more accurate information on the number and sizes of multi-family master meters.

<b>Exhibit III-2</b>								
<b>City of Lodi</b>								
<b>Current and Proposed Maximum Water Rate Schedules</b>								
	<b>Current (1)</b>	<b>Apr. 2019 (2)</b>	<b>Jan. 2020 (3)</b>	<b>Jan. 2021 (1)</b>	<b>Jan. 2022 (3)</b>	<b>Jan. 2023 (3)</b>		
<b>Rate Adjustment --&gt;</b>	<b>2.9%</b>		<b>3.0%</b>		<b>-8.4%</b>		<b>3.0%</b>	
<b>Monthly Flat Water Rates (Unmetered)</b>								
Single Family Residential								
1 bedroom	\$ 32.84	\$ 33.79	\$ 34.80	\$ 31.88	\$ 32.84	\$ 33.83		
2 bedroom	\$ 39.44	\$ 40.58	\$ 41.80	\$ 38.29	\$ 39.44	\$ 40.62		
3 bedroom	\$ 47.27	\$ 48.64	\$ 50.10	\$ 45.89	\$ 47.27	\$ 48.69		
4 bedroom	\$ 56.79	\$ 58.44	\$ 60.19	\$ 55.14	\$ 56.79	\$ 58.49		
5 bedroom	\$ 68.11	\$ 70.09	\$ 72.19	\$ 66.13	\$ 68.11	\$ 70.15		
Multi-Family Units								
1 bedroom	\$ 28.19	\$ 29.01	\$ 29.88	\$ 27.37	\$ 28.19	\$ 29.04		
2 bedroom	\$ 33.81	\$ 34.79	\$ 35.83	\$ 32.82	\$ 33.80	\$ 34.81		
3 bedroom	\$ 40.58	\$ 41.76	\$ 43.01	\$ 39.40	\$ 40.58	\$ 41.80		
4 bedroom	\$ 48.68	\$ 50.09	\$ 51.59	\$ 47.26	\$ 48.68	\$ 50.14		
Non-Residential								
Per ESFU	\$ 39.44	\$ 40.58	\$ 41.80	\$ 38.29	\$ 39.44	\$ 40.62		
<b>Monthly Service Charges (Metered)</b>								
Up to 3/4" meter	\$ 21.87	\$ 22.50	\$ 23.18	\$ 21.23	\$ 21.87	\$ 22.53		
1" meter	\$ 34.34	\$ 35.34	\$ 36.40	\$ 33.34	\$ 34.34	\$ 35.37		
1 1/2" meter	\$ 65.25	\$ 67.14	\$ 69.15	\$ 63.34	\$ 65.24	\$ 67.20		
2" meter	\$ 102.52	\$ 105.49	\$ 108.65	\$ 99.53	\$ 102.52	\$ 105.60		
3" meter	\$ 189.50	\$ 195.00	\$ 200.85	\$ 183.98	\$ 189.50	\$ 195.19		
4" meter	\$ 313.73	\$ 322.83	\$ 332.51	\$ 304.59	\$ 313.73	\$ 323.14		
6" meter	\$ 624.03	\$ 642.13	\$ 661.39	\$ 605.85	\$ 624.03	\$ 642.75		
8" meter	\$ 996.55	\$ 1,025.45	\$ 1,056.21	\$ 967.52	\$ 996.55	\$ 1,026.45		
10" meter	\$ 1,431.26	\$ 1,472.77	\$ 1,516.95	\$ 1,389.57	\$ 1,431.26	\$ 1,474.20		
<b>Water Usage Rates (Metered) -- \$/CCF</b>								
Single Family Residential								
Tier 1 (0-10 CCF)	\$ 0.97	\$ 1.00	\$ 1.03	\$ 0.94	\$ 0.97	\$ 1.00		
Tier 2 (11-50 CCF)	\$ 1.29	\$ 1.33	\$ 1.37	\$ 1.25	\$ 1.29	\$ 1.33		
Tier 3 (> 50 CCF)	\$ 1.60	\$ 1.65	\$ 1.70	\$ 1.56	\$ 1.61	\$ 1.66		
Multi-Family	\$ 1.15	\$ 1.18	\$ 1.22	\$ 1.12	\$ 1.15	\$ 1.18		
Non-Residential	\$ 1.15	\$ 1.18	\$ 1.22	\$ 1.12	\$ 1.15	\$ 1.18		

**Notes:**

- (1) Water rates were last adjusted in 2017 based on Resolution 2017-23, which includes a rate rollback in January 2021 to the water rates that were in effect in 2016.
- (2) Annual change in ENR 20-Cities Construction Cost Index for 2018 (based on Dec. 2017 to Dec. 2018).
- (3) Estimated adjustments based on the annual change in the ENR index each September 30, subject to 3.0% cap.

## WATER SHORTAGE RATE SURCHARGES

To help encourage water conservation and to help bridge the financial deficit created by a water shortage, it is recommended that the City adopt temporary water shortage surcharges that would be implemented under specified water shortage conditions. The temporary water shortage rate surcharges would be incremental increases in the water usage rates. Even though the water shortage surcharges represent an increase in the water rates, total water rate revenue could still decline with reduced water sales as water shortage conditions worsen. That is, the supplemental revenue generated through the water shortage rate surcharges would only partially bridge the deficit gap created by drought and reduced water sales.

As described in Section II of this report, a multi-pronged approach to addressing financial strain caused by water supply shortages and reduced water is suggested. While the utility can use a portion of Operating Reserves in a potential shortage condition, with voluntary use restrictions, temporary water shortage rate surcharges are recommended for conditions that warrant mandatory water use restrictions (i.e., minor, moderate, severe, and critical conditions, as defined). Under these conditions, the estimated financial deficit created by water shortage conditions is largely recovered through a temporary water shortage surcharge from customers in proportion to each customer's water usage. In short, the calculation ensures that each customer bears a proportionate share of the costs associated with water shortage conditions. The temporary water shortage rate surcharges have been specifically designed such that customers that meet water use reduction goals will have lower water bills with the water shortage rate surcharges than they would with normal water usage and normal water rates. Customers that do not meet water use reduction goals may pay more for water service because of the water shortage rate surcharges.

**Exhibit III-3** presents the proposed April 2019 water usage rate schedule supplemented with the temporary water shortage rate surcharges. As an example, Tier 1 of residential water usage rates would increase from \$1.00 per CCF to \$1.05 per CCF under Minor Shortage conditions (i.e., a 5 percent surcharge when water use reductions of 10 to 20 percent are necessary). Because the water shortage rate surcharge would only apply to the water usage rates (and not the fixed monthly service charges or flat rates) the impact on the total water bill is substantially mitigated. In addition, the temporary water shortage surcharges would only be required during periods of mandatory use restrictions, but not in normal or potential shortage conditions with a use reduction of up to 10 percent.

The temporary water shortage rate surcharge is not intended to be a penalty for excessive use; rather it represents each customer's fair share of the cost of partially bridging the financial deficit created by reduced water sales during periods of water shortage. Customers would participate in bearing this cost in proportion to their water use. During this time, the portion of the Operating Reserve would also be used to help close the financial deficit gap cause by reduced water sales.

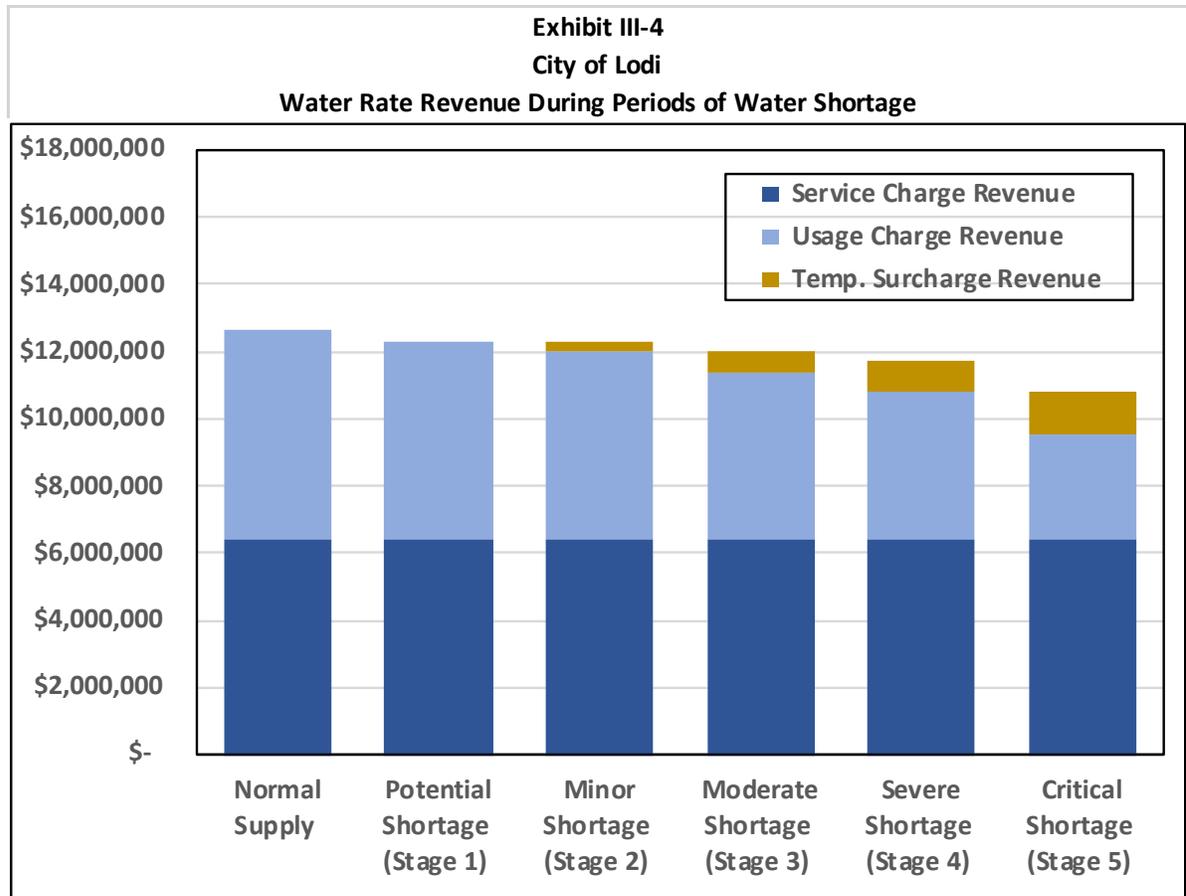
Exhibit III-3 City of Lodi Proposed Temporary Water Shortage Rate Surcharges						
	Normal Supply Conditions	Potential Shortage (Voluntary)	Minor Shortage (Mandatory)	Moderate Shortage (Mandatory)	Severe Shortage (Mandatory)	Critical Shortage (Mandatory)
Use Reduction Goal -->	None	5% to 10%	10% to 20%	20% to 30%	30% to 50%	> 50%
<b>Temp. Water Shortage Surcharge (2)</b>	<b>None</b>	<b>None</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>
<b>Monthly Service Charges</b>						
Up to 3/4" meter	\$ 22.50	No Changes to Service Charges				
1" meter	\$ 35.34					
1 1/2" meter	\$ 67.14					
2" meter	\$ 105.49					
3" meter	\$ 195.00					
4" meter	\$ 322.83					
6" meter	\$ 642.13					
8" meter	\$ 1,025.45					
10" meter	\$ 1,472.77					
<b>Water Usage Rates (\$/CCF) (3)</b>						
Single Family Residential						
Tier 1 (0-10 CCF)	\$ 1.00	\$ 1.00	\$ 1.05	\$ 1.10	\$ 1.15	\$ 1.20
Tier 2 (11-50 CCF)	\$ 1.33	\$ 1.33	\$ 1.40	\$ 1.46	\$ 1.53	\$ 1.60
Tier 3 (> 50 CCF)	\$ 1.65	\$ 1.65	\$ 1.73	\$ 1.82	\$ 1.90	\$ 1.98
Multi-Family	\$ 1.18	\$ 1.18	\$ 1.24	\$ 1.30	\$ 1.36	\$ 1.42
Non-Residential	\$ 1.18	\$ 1.18	\$ 1.24	\$ 1.30	\$ 1.36	\$ 1.42

**Notes:**

- (1) The temporary water shortage rate surcharge percentages are shown applied to the proposed water usage rates for April 2019 for illustrative purposes. The percentages would be applied to any then-current water usage rates when implemented by declaration of a water shortage by the City Council.
- (2) The temporary water shortage rate surcharge would be an incremental (percentage) increase in the water usage rates, but would not be applied to monthly service charges or to any flat water rates for unmetered customers.
- (3) The water usage rates shown for Minor through Critical shortage conditions incorporate the temporary water shortage rate surcharges.

Water shortage rate surcharges would provide moderate supplemental revenue for addressing water supply shortages and the resulting reduced water demand. As illustrated graphically in **Exhibit III-4**, the water shortage rate surcharge revenue only partially replaces lost revenue due to reduced water sales. As a result, even with the water shortage rate surcharges, the proposed water rates for water shortage conditions are less than the total cost of providing water service. The information in Exhibit III-4 reflects revenue estimates based on the application of water shortage rate surcharges in 2025, which is the point in time when all customers are expected to be on metered water rates.

If adopted, the temporary water shortage rate surcharges would be implemented when water shortage conditions necessitate water use reductions exceeding 10 percent, and would depend on the specific stage of shortage, as declared by the City Council. The temporary surcharges would continue only as long as the shortage conditions exist. When the shortage is declared over, then the water shortage rate surcharges would be discontinued.



*Bill Impacts of Water Shortage Rate Surcharges*

Water shortage rate surcharges have been specifically designed such that customers achieving required water use reduction goals will have lower water bills than they would with normal water rates and normal water usage. Customers that do not meet water use reduction goals may have higher water bills. Because the temporary water shortage rate surcharges apply to all water usage, all metered rate customers will participate in bridging the financial gap created by water shortage. Of course, those customers that use the least amount of water or conserve the most will pay less through the water shortage rate surcharges.

**Exhibit III-5** illustrates how a typical single family customer would be affected by the water shortage rate surcharges across various shortage conditions. Monthly water bills are shown for customers that, under normal conditions, use 15 CCF monthly. Water bills are calculated for customers meeting requested water use reduction goals, and customers that do not conserve at all.

<b>Exhibit III-5</b>							
<b>City of Lodi</b>							
<b>Bill Impacts of Temporary Water Shortage Rate Surcharges</b>							
<b>Water Shortage Stage</b>	<b>Water Use Reduction Goal</b>	<b>Monthly Water Use (CCF)</b>	<b>Monthly Service Charge</b>	<b>Water Usage Charge</b>	<b>Water Shortage Surcharge</b>	<b>Total Water Bill</b>	<b>% Change from Normal Bill</b>
<b>Average Single Family Customer Meeting Reduction Goals</b>							
Normal Supply	None	15	\$ 22.50	\$ 16.65	\$ -	\$ 39.15	
Potential Shortage	5% to 10%	14	\$ 22.50	\$ 15.32	\$ -	\$ 37.82	<b>-3.4%</b>
Minor Shortage	10% to 20%	13	\$ 22.50	\$ 13.99	\$ 0.70	\$ 37.19	<b>-5.0%</b>
Moderate Shortage	20% to 30%	12	\$ 22.50	\$ 12.66	\$ 1.27	\$ 36.43	<b>-7.0%</b>
Severe Shortage	30% to 50%	10	\$ 22.50	\$ 10.00	\$ 1.50	\$ 34.00	<b>-13.2%</b>
Critical Shortage	> 50%	7	\$ 22.50	\$ 7.00	\$ 1.40	\$ 30.90	<b>-21.1%</b>
<b>Average Single Family Customer NOT Meeting Reduction Goals</b>							
Normal Supply	None	15	\$ 22.50	\$ 16.65	\$ -	\$ 39.15	
Potential Shortage	5% to 10%	15	\$ 22.50	\$ 16.65	\$ -	\$ 39.15	<b>0.0%</b>
Minor Shortage	10% to 20%	15	\$ 22.50	\$ 16.65	\$ 0.83	\$ 39.98	<b>2.1%</b>
Moderate Shortage	20% to 30%	15	\$ 22.50	\$ 16.65	\$ 1.67	\$ 40.82	<b>4.3%</b>
Severe Shortage	30% to 50%	15	\$ 22.50	\$ 16.65	\$ 2.50	\$ 41.65	<b>6.4%</b>
Critical Shortage	> 50%	15	\$ 22.50	\$ 16.65	\$ 3.33	\$ 42.48	<b>8.5%</b>

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**SECTION IV. WASTEWATER RATES**

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This section of the report presents wastewater rate recommendations and schedules for the next five years. The wastewater system financial plan, presented in Section II of this report, was used to determine the annual wastewater rate revenue requirements and to develop the strategy for meeting current and future financial obligations. As described in this section, no changes to the wastewater rate structures are proposed at this time.

**CURRENT WASTEWATER RATES**

The current wastewater rate schedule is summarized in **Exhibit IV-1**. The City last adjusted its wastewater rates in July 2016. The last comprehensive wastewater rate study occurred in 2013. The City is continuing to transition customers from flat (unmetered) wastewater rates to usage-based (metered) wastewater rates as the meter retrofit program continues. The City's goal is to have all customers on metered wastewater rates by July 2026.

Flat wastewater rates include a fixed monthly charge for single family homes and multi-family dwelling units based on the number of bedrooms. Most non-residential accounts also pay flat wastewater rates based on the number of sanitary sewer units (SSUs) for each account, as determined by City staff. One SSU is equivalent to a two-bedroom single family home. All flat wastewater rates will be phased out as the installation of water meters is completed.

The metered wastewater rates include a fixed monthly service charge based on the size of the water meter and a usage rate based on winter water usage. Winter water usage is used for sewer flow estimation since irrigation usage is minimized during this time period and winter usage reasonably reflects the amount of ongoing water usage that ends up in the sewer system. The City uses the average monthly water usage from December through February for determining the average winter water usage, and hence the estimated monthly sewer flow. In July of each year, a monthly charge is calculated for each customer that includes both the fixed service charge and a usage charge based on the averaged winter water usage and the uniform wastewater usage rate. That charge is then billed monthly for the ensuing 12-month period.

The City has a small number of large industrial customers (primarily food processing). Each of these customers pays for wastewater service based on actual wastewater flows and loading characteristics. Industrial rates for discharging into the City's domestic sewer collection system are included in Exhibit IV-1. Separate (lower) rates apply to the few industrial users that discharge into the industrial line, which requires less treatment.

At present, tenants of unmetered multi-family apartments are individually billed for water and wastewater services. As water meters are installed the billing for these services will be transferred from tenants to property owners. As described in the previous section, it is impractical and infeasible to install water meters on each dwelling unit and one or a few master meters will be needed for each apartment complex.

<b>Exhibit IV-1</b>	
<b>City of Lodi</b>	
<b>Current Wastewater Rates (1)</b>	
<b>Monthly Flat Water Rates (Unmetered)</b>	
Single Family and Multi-Family Residential Dwelling Units	
1 bedroom	\$ 27.90
2 bedroom	\$ 37.20
3 bedroom	\$ 46.49
4 bedroom	\$ 55.79
5 bedroom	\$ 65.09
Mobile Homes	
Any Size	\$ 27.90
Schools	
Per SSU (18 students = 1 SSU)	\$ 36.18
Non-Residential	
Per SFU	\$ 37.20
<b>Monthly Service Charges (Metered)</b>	
Up to 3/4" meter	\$ 25.40
1" meter	\$ 40.92
1 1/2" meter	\$ 79.06
2" meter	\$ 124.33
3" meter	\$ 232.29
4" meter	\$ 385.52
6" meter	\$ 768.28
8" meter	\$ 1,227.76
<b>Wastewater Usage Rates (Metered)</b>	
All Customers, Except High Strength	
Usage Rate (\$/CCF of water use)	\$ 2.89
High Strength Users	
Flow (per MG annually)	\$ 3,730.00
BOD (per 1,000 lbs annually)	\$ 616.00
SS (per 1,000 lbs annually)	\$ 385.00
<b>Notes:</b>	
(1) Wastewater rates were last adjusted in 2016 based on Resolution 2016-109.	

### CONTINUING TRANSITION TO METERED WASTEWATER RATES

The City continues to install water meters on all unmetered water service connections. In FY 17-18, the City completed Phase 7 of the meter retrofit program. Phase 8 will commence in FY 19-20, followed by Stage 9 to install meters on apartment complexes and a small number of remaining non-residential accounts.

The conversion to metered wastewater billing lags the conversion for water billing by 18 months. This gives customers plenty of time to become familiar with their own water usage and modify practices, if needed, to limit bill amounts. Because of this lag between meter

installation and metered billing, the final conversion to metered wastewater billing may not occur until July 2026.

In general, most customers benefit from the transition to metered water and wastewater rates. This is because for most customers actual usage is somewhat less than the average usage on which flat rates have been based.

As with water billing, the transition to wastewater metered billing for multi-family apartment complexes will have a more significant impact on wastewater rate revenue. Under the current flat rates, each dwelling unit is billed separately for wastewater service. However, for a variety of reasons it is generally impractical and infeasible to install separate water meters on each apartment unit. Therefore, apartment complexes will generally have a single (or in some cases a few) master meters that serve the entire complex. Under the metered rate structure, in which service charges are based on meter sizes for each connection and usage charges based on actual usage and the uniform usage rate, wastewater rate revenue from apartment complexes will likely be less than the aggregate flat rate revenue from billing individual units. While the financial plan analyses contained in this study incorporate estimates for this impact as the transition occurs, the actual impact will depend on the specific number and sizes of master meters installed as part of the meter retrofit program for multi-family customers.

#### **PROPOSED MULTI-YEAR WATER RATE SCHEDULES**

**Exhibit IV-2** summarizes proposed maximum flat and metered wastewater rate schedules for rates to be effective in July 2019, as well as for each July from 2020 through 2023. The later years of this multi-year rate plan reflect the annual revenue requirements through FY 23-24 based on the wastewater system financial plan presented in Section II of this report.

Continuing with recent practice, the City should adjust wastewater rates annually based on changes in the ENR CCI, subject to a 3.0 percent annual cap. The rate schedules shown in Exhibit IV-2 include 3.0 percent adjustments in future years. Therefore, for the five-year Proposition 218 rate period, the schedules reflect the maximum amount of the wastewater rates with each adjustment. If actual inflation is less than 3.0 percent, then the implemented schedules would be correspondingly lower.

As previously described, no rate structure changes are proposed at this time. However, it is recommended that the next rate study include a comprehensive cost of service update as all water meters will likely be installed by that time and the City will have more complete knowledge and understanding of water usage for all customers and customer classes, as well as more accurate information on the number and sizes of multi-family master meters. This would also be an appropriate time to examine the wastewater rates applicable to all non-residential accounts. Beyond the special rates for high strength industrial customers (e.g., food processors), many utilities have non-residential wastewater rates based on strength characteristics (e.g., low, medium, and high categories) for the variety of business categories that exist within their jurisdiction.

<b>Exhibit IV-2</b>						
<b>City of Lodi</b>						
<b>Current and Proposed Maximum Wastewater Rate Schedules</b>						
	<b>Current (1)</b>	<b>Jul. 2019 (2)</b>	<b>Jul. 2020 (3)</b>	<b>Jul. 2021 (3)</b>	<b>Jul. 2022 (3)</b>	<b>Jul. 2023 (3)</b>
<b>Rate Adjustments --&gt;</b>	<b>2.9%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>
<b>Monthly Flat Water Rates (Unmetered)</b>						
Single Family and Multi-Family Residential Dwelling Units						
1 bedroom	\$ 27.90	\$ 28.71	\$ 29.57	\$ 30.46	\$ 31.37	\$ 32.31
2 bedroom	\$ 37.20	\$ 38.28	\$ 39.43	\$ 40.61	\$ 41.83	\$ 43.08
3 bedroom	\$ 46.49	\$ 47.84	\$ 49.28	\$ 50.76	\$ 52.28	\$ 53.85
4 bedroom	\$ 55.79	\$ 57.41	\$ 59.13	\$ 60.90	\$ 62.73	\$ 64.61
5 bedroom	\$ 65.09	\$ 66.98	\$ 68.99	\$ 71.06	\$ 73.19	\$ 75.39
Mobile Homes						
Any Size	\$ 27.90	\$ 28.71	\$ 29.57	\$ 30.46	\$ 31.37	\$ 32.31
Schools						
Per SSU (18 students = 1 SSU)	\$ 27.90	\$ 28.71	\$ 29.57	\$ 30.46	\$ 31.37	\$ 32.31
Non-Residential						
Per SFU	\$ 37.20	\$ 38.28	\$ 39.43	\$ 40.61	\$ 41.83	\$ 43.08
<b>Monthly Service Charges (Metered)</b>						
Up to 3/4" meter	\$ 25.40	\$ 26.14	\$ 26.92	\$ 27.73	\$ 28.56	\$ 29.42
1" meter	\$ 40.92	\$ 42.11	\$ 43.37	\$ 44.67	\$ 46.01	\$ 47.39
1 1/2" meter	\$ 79.06	\$ 81.35	\$ 83.79	\$ 86.30	\$ 88.89	\$ 91.56
2" meter	\$ 124.33	\$ 127.94	\$ 131.78	\$ 135.73	\$ 139.80	\$ 143.99
3" meter	\$ 232.29	\$ 239.03	\$ 246.20	\$ 253.59	\$ 261.20	\$ 269.04
4" meter	\$ 385.52	\$ 396.70	\$ 408.60	\$ 420.86	\$ 433.49	\$ 446.49
6" meter	\$ 768.28	\$ 790.56	\$ 814.28	\$ 838.71	\$ 863.87	\$ 889.79
8" meter	\$ 1,227.76	\$ 1,263.37	\$ 1,301.27	\$ 1,340.31	\$ 1,380.52	\$ 1,421.94
<b>Wastewater Usage Rates (Metered)</b>						
All Customers, Except High Strength						
Usage Rate (\$/CCF of water use)	\$ 2.89	\$ 2.97	\$ 3.06	\$ 3.15	\$ 3.24	\$ 3.34
High Strength Users						
Flow (per MG annually)	\$ 3,730.00	\$ 3,838.17	\$ 3,953.32	\$ 4,071.92	\$ 4,194.08	\$ 4,319.90
BOD (per 1,000 lbs annually)	\$ 616.00	\$ 633.86	\$ 652.88	\$ 672.47	\$ 692.64	\$ 713.42
SS (per 1,000 lbs annually)	\$ 385.00	\$ 396.17	\$ 408.06	\$ 420.30	\$ 432.91	\$ 445.90

**Notes:**

- (1) Wastewater rates were last adjusted in 2016 based on Resolution 2016-109.  
(2) Annual change in ENR 20-Cities Construction Cost Index for 2018 (based on Dec. 2017 to Dec. 2018).  
(3) Estimated adjustments based on the annual change in the ENR index each April 30, subject to 3.0% cap.

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## APPENDIX D

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Indenture of Trust under which the Bonds are issued, and a summary of the Installment Purchase Agreement between the Authority and the City. Such summaries are not intended to be definitive. Reference is made to the actual documents (copies of which are available from the Authority) for the complete terms thereof.

#### Definitions

**“Additional Revenues”** means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- (a) An allowance for Net Revenues from any additions or improvements to or extensions of the Water System to be financed from the proceeds of such Parity Debt or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any other 12-month period selected by the City under Section 5.8(b), were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is to be in operation, all as shown by the certificate or opinion of a qualified independent engineer or Fiscal Consultant employed by the City.
- (b) An allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such Parity Debt but which, during all or any part of such Fiscal Year or such other 12-month period selected by the City under Section 5.8(b), was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such other 12-month period, all as shown by the certificate or opinion of an Independent Accountant or Fiscal Consultant employed by the City.

**“Authority Revenues”** means: (a) all of the Installment Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

**“Bond Counsel”** means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City or the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

**“Bond Law”** means the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

**“Bond Year”** means each twelve-month period extending from October 2 in one calendar year to October 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including June 1, 2020.

**“Business Day”** means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the City in which the Office of the Trustee is located.

**“Federal Securities”** means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

**“Fiscal Consultant”** means any consultant or firm of such consultants, including but not limited to a qualified engineer or rate consultant, appointed by the City and who, or each of whom: (a) is judged by the City to have experience in matters relating to the financing of water enterprises; (b) is in fact independent and not under domination of the City; (c) does not have any substantial interest, direct or indirect, with the City other than as purchaser of the Bonds or any Parity Debt; and (d) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

**“Fiscal Year”** means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period.

**“Gross Revenues”** means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to connection charges (including the City’s impact mitigation fees) to the extent permitted by law, investment earnings thereon and the Refundable Credits under the 2010 Installment Sale Agreement; but excluding (a) the proceeds of any ad valorem property taxes levied for the purpose of paying general obligation bonds of the City relating to the Water System and (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City levied for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Water System.

**“Independent Accountant”** means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or

the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

**“Installment Payment Date”** means, with respect to any Interest Payment Date, the Business Day immediately preceding such Interest Payment Date.

**“Installment Payments”** means the payments the City is required to pay under the Installment Sale Agreement as the purchase price of the 2010 Water Projects.

**“Interest Payment Date”** means each June 1 and December 1, commencing June 1, 2020 , so long as any Bonds remain unpaid.

**“Maximum Annual Debt Service”** means, as of the date of any calculation, the maximum sum obtained for the current or any future Bond Year so long as any of the Bonds remain outstanding by totaling the following amounts for such Bond Year:

- (a) the aggregate amount of the Installment Payments coming due and payable in such Bond Year, except to the extent payable from any security deposit under the Installment Sale Agreement;
- (b) the principal amount of the all outstanding Parity Debt, if any, coming due and payable by their terms in such Bond Year; and
- (c) the amount of interest which would be due during such Bond Year on the aggregate principal amount of all outstanding Parity Obligations, if any, which would be outstanding in such Bond Year if such Parity Obligations are retired as scheduled; *provided, however,* that with respect to any Parity Debt which bears interest at a variable rate, such interest shall be calculated at an assumed rate equal to the average rate of interest per annum for each of the five previous whole calendar years as shown by the J. J. Kenny Index (or, in the event and to the extent such index is not maintained for all or any portion of such period, any similar index of variable rate interest for tax-exempt obligations or taxable obligations, as applicable, as may be selected by the City in its sole discretion).

**“Net Revenues”** means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

**“Office”** means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Corporation from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporation trust agency business is conducted.

**“Operation and Maintenance Costs”** means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Water System, including but not limited to (a) costs of acquisition of water to be supplied by the Water System, (b) costs of electricity and other forms of energy supplied to the Water System, (c) the reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and (d) the reasonable administrative costs of the City attributable to the operation and maintenance of the Water System; but in all cases excluding (i) debt service payable on obligations incurred by the City with respect to the Water System, including but not limited to the Installment Payments and any Parity Debt, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

**“Outstanding”** when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority will have been discharged in accordance with the Indenture, including Bonds (or portions thereof) described in the provisions of the Indenture relating to Disqualified Bonds; and (c) Bonds paid pursuant to provisions of the Indenture related to mutilated, lost, destroyed, or stolen bonds and (d) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee under the Indenture.

**“Overdue Rate”** means the highest rate of interest on any of the Outstanding Bonds.

**“Owner”** whenever used in the Indenture with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

**“Parity Debt”** means any bonds, notes, leases, installment sale agreements or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued under and in accordance with the Installment Sale Agreement. As of the date of issuance of the Bonds, the 2010A Installment Payments are the only Parity Debt.

**“Parity Debt Documents”** means, collectively, the indenture of trust, trust agreement or other document authorizing the issuance of any Parity Debt or any securities which evidence Parity Debt.

**“Permitted Investments”** means any of the following which at the time of investment are determined by the Authority to be legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee will be entitled to rely conclusively upon any such determination by the Authority):

- (a) Federal Securities.
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any federal agencies whose obligations

are backed by the full faith and credit of the United States of America.

- (c) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and which are rated in the highest short-term rating category by S&P (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services excluding those with floating net asset value).
- (d) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated A or better by S&P, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.
- (e) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation or secured at all times by collateral described in (a) or (b) above.
- (f) Investment agreements with a financial institution the long-term debt or claims paying ability of which, or in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor or the institution is rated AA or better from S&P, by the terms of which the Trustee is permitted to withdraw the invested funds if the rating from S&P falls below AA.
- (g) A repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars (\$100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement has a term of no more than thirty (30) days and is secured by any one or more of the securities and obligations described in clauses (a) or (b) above, which shall have a market value (inclusive of accrued interest and valued at least weekly) equal to one hundred four percent (104%) of the amount of cash transferred by the Trustee to the bank, trust company, national banking association or bond dealer and at a level such that such repurchase agreement shall have a rating that is equal to or greater than the rating on the Bonds; such securities shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association

or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least weekly) will be an amount equal to such required level and the Trustee shall be entitled to rely on each such undertaking.

- (h) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

**“Rate Stabilization Fund”** means any fund established and held by the City as a fund for the stabilization of rates and charges imposed by the City with respect to the Water System, which fund is established, held and maintained in accordance with Section 4.6.

**“Record Date”** means, with respect to any Interest Payment Date, the 15<sup>th</sup> calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

**“Registration Books”** means the records maintained by the Trustee for the registration and transfer of ownership of the Bonds.

**“Water System”** means the entire water treatment, production, storage and distribution system owned or operated by the City, including but not limited to all facilities, properties and improvements at any time owned or operated by the City for the collection, treatment and supply of water to residents served thereby, whether within or without the City, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City.

**“2010 Bonds”** has the meaning given that term in the Background section of the Agreement.

**“2010 Indenture”** has the meaning given that term in the Background section of the Agreement.

**“2010 Installment Payments”** has the meaning given that term in the Background section of the Agreement.

**“2010 Installment Sale Agreement”** has the meaning given that term in the Background section of the Agreement.

**“2010A Bonds”** has the meaning given that term in the Background section of the Agreement.

**“2010A Installment Payments”** has the meaning given that term in the Background section of the Agreement.

**“2010B Bonds”** has the meaning given that term in the Background section of the Agreement.

**“2010B Installment Payments”** has the meaning given that term in the Background section of the Agreement.

**“2010 Trustee”** means The Bank of New York Mellon Trust Company, N.A., as trustee under the 2010 Indenture.

## **Certain Provisions of the Indenture**

### **Terms of the Bonds**

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer of any Bonds.

Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

### **Registration Books**

The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which will upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

### **Investments**

Except as otherwise set forth in the Indenture, moneys in any of the funds or accounts established with the Trustee under the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority under a Written Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall hold such moneys uninvested. The Trustee shall notify the Authority in writing within five Business Days if it is holding any moneys uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture will be retained in such fund or account. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee will incur no liability for losses, taxes, fees or other charges arising from any investments, reinvestments or liquidation of investments made under the Indenture.

The Trustee may make any investments under the Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture. The Trustee is authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

### **Certain Covenants of the Authority**

Punctual Payment. The Authority will punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Authority Revenues and other amounts pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest will be extended, such Bonds or claims for interest will not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in the Indenture limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Authority Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes and reserves the right to issue other obligations for such purposes.

Accounting Records. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries will be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under the Indenture. The Trustee will make such books of record and account available for inspection by the Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

Limitation on Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Authority Revenues.

## Tax Covenants.

*Private Business Use Limitation.* The Authority will assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

*Federal Guarantee Prohibition.* The Authority will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

*No Arbitrage.* The Authority will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

*Maintenance of Tax Exemption.* The Authority will take all actions necessary to assure the exclusion of interest on the Series A Bonds from the gross income of the Owners of the Series A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

*Rebate of Excess Investment Earnings to United States.* The Authority will calculate or cause to be calculated all amounts of Excess Investment Earnings which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Authority will pay when due an amount equal to Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any amounts provided by the City for that purpose under the Installment Sale Agreement. The Authority will keep or cause to be kept and retain, or cause to be retained, for a period of six years following the retirement of the Bonds, records of the determinations made under this paragraph.

## **Events of Default and Remedies**

Events of Default. The following events constitute Events of Default under the Indenture:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in the

Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Installment Sale Agreement.

Remedies Upon Event of Default. Only as long as acceleration is an available remedy under the Installment Sale Agreement, if any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding will, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, claims, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

The Trustee may, subject to the receipt of indemnity satisfactory to it as provided under the Indenture:

- (i) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the Authority, or any board member, officer or employee thereof, and compel the Authority or any such board member, officer or employee to perform and carry out its or his or her duties under applicable law and the agreements and covenants contained in the Indenture required to be performed by it or him;
- (ii) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee or the owners of the Bonds under the Indenture;
- (iii) intervene in judicial proceedings that affect the Bonds or the security therefor or under the Indenture; or
- (iv) by suit in equity upon the happening of an Event of Default require the Authority and its officers and employees to account as the trustee of an express trust.

Except with respect to an Event of Default described in paragraph (d) above, if, at any time after such declaration and before any judgment or decree for the payment

of the moneys due will have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment will extend to or will affect any subsequent Event of Default, or will impair or exhaust any right or power consequent thereon.

Application of Authority Revenues and Other Funds After Default. If an Event of Default occurs and is continuing, all Authority Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under the Indenture;
- (b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

*First:* To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

*Second:* To the payment to the persons entitled thereto of the unpaid principal of any Bonds which will have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available will not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Trustee to Represent Bond Owners. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any law. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Limitation on Bond Owners' Right to Sue. Notwithstanding any other provision of the Indenture, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Installment Sale Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers in the Indenture before granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity satisfactory to it against the costs, claims, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Owners), or to enforce any right under the Bonds, the Indenture, the Installment Sale Agreement or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Termination of Proceedings. In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, will be restored to their former positions and rights under the Indenture, severally and respectively, and all

rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners will continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

Notice to Bond Owners of Default. Promptly upon a responsible officer of the trustee obtaining actual knowledge of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee will promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in paragraphs (a) and (b) above, the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

### **Provisions Relating to the Trustee**

Appointment of Trustee. MUFG Union Bank, N.A., is appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of The Indenture so long as any Bonds are Outstanding.

Removal and Resignation of Trustee. The Trustee accepts the express trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture and no implied duties or covenants shall be read into the Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with the Indenture, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Any such removal shall be made upon at least 30 days' prior written notice to the Trustee.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (c), respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may, at the expense of the Authority, petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses (including attorneys' fees and expenses) of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture. At the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions in the Indenture set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under the Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most

recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign promptly in the manner and with the effect specified in this Section.

(f) Notwithstanding any other provision of the Indenture, the Trustee may be removed at any time for any breach of the trust set forth in the Indenture.

#### Liability of Trustee.

(a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture, the Bonds or the Installment Sale Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations of Trustee in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture or assigned to it under the Indenture.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the reasonable judgement or rights or powers conferred upon it by the Indenture.

(e) The Trustee will not be deemed to have knowledge of any Event of Default under the Indenture, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default under the Indenture unless and until a responsible officer of the trustee will have actual knowledge thereof, or a responsible officer will have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided in the Indenture, the Trustee will not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements in the Indenture, under the Installment Sale Agreement or the Bonds or of any of the

documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee will not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Installment Sale Agreement, other than the covenants of the City to make Installment Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee under the Indenture.

(f) No provision of the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers under the Indenture or perform any duties under the Indenture either directly or through agents, receivers or attorneys and the Trustee will not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it under the Indenture.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of the Bond Owners under the Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, claims, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive or implied power, right or remedy conferred upon the Trustee under the Indenture will be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of the Indenture shall be applicable to the assignment of any rights to the Trustee.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the Indenture.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Project. In no event shall the Trustee be liable for incidental, indirect, special, punitive or consequential damages in connection with or arising from the Installment Sale Agreement or the Indenture for the existence, furnishing or use of the Project.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail (provided, that for purposes of the Agreement, an e-mail does not constitute a notice, request or other communication under the Indenture but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication under the Indenture), facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its reasonable judgment elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, claims, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(n) The Trustee shall not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(o) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities under the Indenture, and each agent, custodian and other person employed to act under the Indenture.

Registration Books. The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee will not be affected by any notice to the contrary.

## **Amendment of the Indenture**

Amendments Permitted With Owner Consent. The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Authority Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Authority Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

Amendments Without Owner Consent. The Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture will not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;
- (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;
- (iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; and

- (iv) to modify, amend or supplement the Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code.

Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture under the Indenture, the Authority will deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect with respect to the Bonds, the exclusion of interest from gross income for purposes of federal income taxes.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

## **Defeasance**

Discharge of Indenture. Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided below) to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds will not have been surrendered for payment, the Indenture and the pledge of Authority Revenues and other assets made under the Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under the Indenture with respect to such Bonds will cease, terminate, become void and be completely discharged and satisfied, subject to the provisions of the Indenture. In such event, upon the Written Request of the Authority, the Trustee will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the Authority all moneys or securities or other

property held by it under the Indenture which are not required for the payment of any of such Bonds not theretofore surrendered for such payment. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds will cease, terminate and be completely discharged, and the Owners thereof will thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

Notwithstanding anything to the contrary in the Indenture, in the event of defeasance of all Outstanding Bonds, such defeasance will not operate to discharge any of the following:

- (a) the obligation of the Trustee to transfer and exchange Bonds under the Indenture,
- (b) the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (c) the obligations of the Authority to compensate and indemnify the Trustee.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under the Indenture and will be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or
- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest on the

Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee will have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such money to the payment of such principal and interest with respect to such Bonds, and (ii) the Authority will have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee will be entitled to conclusively rely on such Written Request or opinion and will be fully protected, in each case, in relying thereon.

### **Liability of Authority Limited to Authority Revenues**

Notwithstanding anything in the Indenture or in the Bonds, the Authority is not required to advance any moneys derived from any source other than the Authority Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

## **Certain Provisions of the Installment Sale Agreement**

### **Covenants of the City**

Budget and Appropriation. During the Term of the Installment Sale Agreement, the City shall adopt all necessary budgets and make all necessary appropriations of the Installment Payments from the Net Revenues. If any Installment Payment requires the adoption by the City of any supplemental budget or appropriation, the City shall promptly adopt the same. The covenants on the part of the City contained in the Installment Purchase Agreement constitute duties imposed by law and it is the duty of each and every public official of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Installment Purchase Agreement.

Against Encumbrances. Except as provided in the Installment Sale Agreement, the City covenants that the Water System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the Installment Payments or the principal of or interest on any Parity Debt, or would materially adversely affect its ability to comply with the terms of the Agreement or any Parity Debt Documents. The City may not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net

Revenues to pay the Installment Payments or any Parity Debt, or which otherwise would impair the rights of the Bond Owners or the Trustee with respect to the Net Revenues.

Maintenance and Operation of Water System. The City will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner.

Insurance. The City will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System.

The City will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Authority, the Trustee and the Owners of the Bonds.

Any policy of insurance required under the Installment Purchase Agreement may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

If all or any part of the Water System is damaged or destroyed, the Net Proceeds realized by the City as a result thereof will be deposited by the City with the Trustee in a special fund which the Trustee will establish as needed in trust and applied by the City to the cost of acquiring and constructing repairs, replacements, additions, betterments, extensions or improvements to the Water System if (A) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the City by reason of such damage or destruction, (ii) a general description of the repairs, replacements, additions, betterment, extensions or improvements to the Water System then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, additions, betterment, extensions or improvements; and (B) the Trustee has been furnished a Certificate of the City, certifying that the Gross Revenues after such repair, replacement, addition, betterment, extension or improvement of the Water System will sufficiently offset on a timely basis the loss of System Revenues resulting from such damage or destruction so that the ability of the City to pay all Parity Debt when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose will be deposited in the Water System Fund and applied as provided in the Installment Sale Agreement; provided, that if the foregoing conditions are not met, then such proceeds will be deposited with the Trustee and applied to make Installment Payments and any Parity Debt as they become due ratably without any discrimination or preference; provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments are subject to any similar provisions for Parity Debt on a pro rata basis.

If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Parity Debt, and a Certificate of the

City to such effect has been filed with the Trustee, then the City will forthwith deposit such proceeds in the Water System Fund, to be applied as provided in the Installment Purchase Agreement.

Books of Record and Accounts; Financial Statements. The City will keep proper books of record and accounts of the Water System in which complete and correct entries are made of all transactions relating to the Water System. Said books will, upon prior request, be subject to the reasonable inspection of the Owners of not less than 10% of the Outstanding Bonds, or their representatives authorized in writing, upon not less than two Business Days' prior notice to the City.

The City will cause the books and accounts of the Water System to be audited annually by an Independent Accountant not more than nine months after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the City and at the Office of the Trustee. Such report may be part of a combined financial audit or report covering all or part of the City's finances.

### **Events of Default and Remedies**

Events of Default and Acceleration of Principal. The following events constitute Events of Default under the Installment Purchase Agreement:

- (a) Failure by the City to pay any Installment Payment when due and payable under the Installment Purchase Agreement.
- (b) Failure by the City to pay any Additional Payment when due and payable under the Installment Purchase Agreement, and the continuation of such failure for a period of 30 days.
- (c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee; *provided, however,* that if the City notifies the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an event of default under the Installment Purchase Agreement if the City commences to cure such failure within such 30 day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) Only as long as it is an event of default under and as defined with respect to any Parity Debt, the filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under

the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

- (e) The occurrence of any event of default under and as defined with respect to any Parity Debt.

Remedies on Default. If an Event of Default occurs and is continuing, the Trustee as assignee of the Authority has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

- (a) Only as long as it is an available remedy under and as defined with respect to any Parity Debt, declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable.

The Trustee shall rescind and annul such declaration and its consequences if, before any judgment or decree for the payment of the moneys due has been obtained or entered, (i) the City deposits with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and (ii) the City pays the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and (iii) any and all other defaults known to a responsible officer of the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good. No such rescission and annulment will extend to or shall affect any subsequent default, or impair or exhaust any right or power consequent thereon.

- (b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of the Installment Purchase Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under the Installment Purchase Agreement.
- (c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners under the Installment Purchase Agreement, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged under the Installment Purchase Agreement, with such powers as the court making such appointment may confer.

Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under the remedial provisions of the Installment Purchase Agreement have been assigned by the Authority to the Trustee under the Indenture, to which assignment the City has consented. Such rights and remedies will be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

### **Prepayment of Installment Payments**

Security Deposit. Notwithstanding any other provision of the Installment Purchase Agreement, the City may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either:

- (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due, or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Accountant (which opinion is addressed and delivered to the Trustee), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due, or when due on any optional prepayment date, as the City instructs at the time of said deposit.

If the City makes a security deposit for the payment of all or a portion of the remaining Installment Payments, all obligations of the City under the Installment Purchase Agreement, and the pledge of Net Revenues and all other security provided by the Installment Purchase Agreement for said obligations, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made, such Installment Payments from the security deposit. The security deposit will be deemed to be and will constitute a special fund for the payment of such Installment Payments in accordance with the provisions of the Indenture.

**APPENDIX E**  
**FORM OF OPINION OF BOND COUNSEL**

April 29, 2020

Lodi Public Financing Authority  
221 West Pine Street  
Lodi, CA 95240

**OPINION:**     \$25,390,000 Lodi Public Financing Authority 2020 Refunding Water Revenue  
                  Bonds, Series A

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Members of the Board of Directors of the Authority:

We have acted as bond counsel to the Lodi Public Financing Authority (the "Authority") in connection with the issuance by the Authority of the captioned bonds dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law"), the Indenture of Trust, dated as of April 1, 2020 (the "Indenture"), by and between the Authority and MUFJ Union Bank, N.A., as trustee (the "Trustee"), and a resolution (the "Resolution") of the Board of Directors of the Authority adopted March 4, 2020. Under the Indenture, the Authority has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due, including installment payments made by the City of Lodi (the "City") under an Installment Sale Agreement dated as of April 1, 2020 (the "Installment Sale Agreement") between the Authority and the City.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Indenture and the City contained in the Installment Sale Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a duly created and validly existing joint exercise of powers authority with the power to adopt the Resolution, enter into the Indenture and perform the agreements on its part contained therein, and issue the Bonds.

2. The City is a duly created and validly existing general law city with the power to enter into the Installment Sale Agreement and perform the agreements on its part contained therein.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority.

4. The Installment Sale Agreement has been duly authorized, executed and delivered by the Authority and the City, and constitutes a valid and binding obligation of the Authority and the City, enforceable against the Authority and the City.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued under the Indenture.

6. The Bonds have been duly authorized and executed by the Authority, and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Indenture.

7. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

8. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

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## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$25,390,000**

### **LODI PUBLIC FINANCING AUTHORITY 2020 REFUNDING WATER REVENUE BONDS, SERIES A**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Lodi, a municipal corporation (the “City”), in connection with the issuance of the \$25,390,000 Lodi Public Financing Authority (the “Authority”) 2020 Refunding Water Revenue Bonds, Series A (the “2020 Bonds”). The 2020 Bonds are being issued pursuant to an Indenture of Trust dated as of April 1, 2020 (the “Indenture”), by and between the City and MUFU Union Bank, N.A., as trustee for the 2020 Bonds (the “Trustee”). In connection therewith, the City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2020 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is seven months after the end of the City's fiscal year (currently January 31 based on the City's fiscal year end of June 30).

“*Dissemination Agent*” shall mean the City, or any Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*EMMA System*” shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“Official Statement” means the final official statement dated April 8, 2020, executed by the City and Authority in connection with the issuance of the 2020 Bonds.

“*Participating Underwriter*” means Piper Sandler & Co., the original underwriter of the 2020 Bonds required to comply with the Rule in connection with offering of the 2020 Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing January 31, 2021, with the report for the 2019-20 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the City does not provide, or cause the Dissemination Agent to provide, an Annual Report by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall provide a notice to the MSRB, in a timely manner, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following documents and information:

(a) The City's audited financial statements for the most recently completed fiscal year, prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) Principal amount of 2020 Bonds outstanding as of the end of such fiscal year.
- (ii) Updated information comparable to the information in Table 1 titled “City of Lodi Water System Number of Accounts and Revenue by User Type” as it appears in the Official Statement.
- (iii) Updated information comparable to the information in Table 2 titled City of Lodi Water System Largest Users by Service Charge Revenues” as it appears in the Official Statement.
- (iv) Updated information for such fiscal year comparable to the information in Table 3 titled “Selected Rates Effective April, 2019” as it appears in the Official Statement.
- (v) Updated information for such fiscal year and the four previous fiscal years only (i.e., no projected information for current or future years is required) comparable to the information in Table 6 titled “City of Lodi Water System Historic Operating Results and Debt Service Coverage” as it appears in the Official Statement.
- (vi) A description of any additional indebtedness incurred during the prior fiscal year which is payable from Net Revenues on a parity with the 2020 Installment Payments.

(c) In addition to any of the information expressly required to be provided under paragraph (b) above, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB’s Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2020 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.

- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2020 Bonds, or other material events affecting the tax status of the 2020 Bonds.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (13) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional Trustee or the change of name of the Trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 Business Days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with

respect to certain notices, determinations or other events affecting the tax status of the 2020 Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Upon occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, trustee, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2020 Bonds. If such termination occurs prior to the final maturity of the 2020 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2020 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2020 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2020 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2020 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2020 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including

the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Trustee, the 2020 Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2020 Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the 2020 Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: April 29, 2020

CITY OF LODI

By: \_\_\_\_\_

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## APPENDIX G

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix G regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.*

The Depository Trust Company ("DTC"), New York, New York, acts as securities depository for the 2020 Bonds. The 2020 Bonds were issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate was issued for each maturity of each series of the 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2020 Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2020 Bond documents. For example, Beneficial Owners of 2020 Bonds may wish to ascertain that the nominee holding the 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the 2020 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the 2020 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2020 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in

the event that a successor depository is not obtained, certificates representing the 2020 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the 2020 Bonds will be printed and delivered to DTC.