NEW ISSUE - FULL BOOK-ENTRY **RATING: Standard & Poor's: "AA"**
See "RATING" herein.

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 2018 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, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2018 Bonds is exempt from California personal income taxes. See "TAX MATTERS."

$45,485,000
SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
Lease Revenue Bonds, Series 2018
(Public Safety Facilities Project)
(Green Bonds)

Dated: Date of Delivery **Due: June 1, as shown on inside cover**

Authority for Issuance. The bonds captioned above (the "2018 Bonds") are being issued by the San Rafael Joint Powers Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on March 5, 2018, and an Indenture of Trust dated as of March 1, 2018 (the "Indenture") by and between the Authority and MUFG Union Bank, N.A. as trustee (the "Trustee"). See "THE 2018 BONDS – Authority for Issuance."

Purpose. The 2018 Bonds are being issued primarily to finance the acquisition and construction of certain public safety improvements consisting generally of a new public safety center and two replacement fire stations (collectively, the "Project"). In addition, the proceeds of the 2018 Bonds will be used to (a) fund (together with anticipated investment earnings) capitalized interest on the 2018 Bonds to September 1, 2020, and (b) pay the costs of issuing the 2018 Bonds. See "FINANCING PLAN."

Security. Under the Indenture, the 2018 Bonds are payable from and secured by a first pledge of and lien on "Revenues" (as defined in this Official Statement) received by the Authority under the Lease Agreement, dated as of March 1, 2018, by and between the Authority, as lessor, and the City, as lessee (the "Lease"), consisting primarily of lease payments (the "Lease Payments") made by the City under the Lease with respect to the lease of certain real property, as further described in this Official Statement. The 2018 Bonds are also secured by certain funds on deposit under the Indenture. Neither the Authority nor the City is establishing a reserve fund for the 2018 Bonds. See "SECURITY FOR THE 2018 BONDS."

Book-Entry Only. The 2018 Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). The 2018 Bonds are issuable as fully registered securities in denominations of $5,000 or any integral multiple of $5,000. Purchasers of the 2018 Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the 2018 Bonds. See "THE 2018 BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments. Interest on the 2018 Bonds accrues from the date of delivery and is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2018. Payments of principal and interest on the 2018 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the Beneficial Owners of the 2018 Bonds. See "THE 2018 BONDS - General Provisions."

Redemption. The 2018 Bonds are subject to optional redemption and special mandatory redemption from insurance or condemnation proceeds prior to maturity. See "THE 2018 BONDS – Redemption."

NEITHER THE 2018 BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE 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 2018 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2018 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

MATURITY SCHEDULE
(see inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the 2018 Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The 2018 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 also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Quint & Thimmig LLP, Larkspur, California, is acting as Underwriter's counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney. It is anticipated that the 2018 Bonds will be delivered in book-entry form through the facilities of DTC on or about March 28, 2018.

RAYMOND JAMES®

The date of this Official Statement is: March 14, 2018

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
Lease Revenue Bonds, Series 2018
(Public Safety Facilities Project)

MATURITY SCHEDULE
(Base CUSIP†: 799317)

$45,485,000 Serial Bonds

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2021	$1,910,000	4.000%	1.620%	107.334%	BS0
2022	2,070,000	4.000	1.790	108.850	BT8
2023	2,240,000	5.000	1.920	115.101	BU5
2024	2,435,000	5.000	2.020	117.215	BV3
2025	2,645,000	5.000	2.150	118.852	BW1
2026	2,870,000	5.000	2.290	120.096	BX9
2027	3,105,000	5.000	2.420	121.110	BY7
2028	3,355,000	5.000	2.540	121.932	BZ4
2029	3,615,000	5.000	2.660	120.735[C]	CA8
2030	3,895,000	5.000	2.750	119.847[C]	CB6
2031	4,190,000	5.000	2.840	118.967[C]	CC4
2032	4,500,000	5.000	2.880	118.578[C]	CD2
2033	4,825,000	5.000	2.930	118.095[C]	CE0
2034	3,830,000	5.000	2.980	117.613[C]	CF7

C Priced to first par call on June 1, 2028.

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
CITY OF SAN RAFAEL
(MARIN COUNTY, CALIFORNIA)

CITY COUNCIL

Gary Phillips, *Mayor*
John Gamblin, *Vice Mayor*
Maribeth Bushey, *Council Member*
Kate Colin, *Council Member*
Andrew Cuyugan McCullough, *Council Member*

CITY OFFICIALS AND STAFF

Jim Schutz, *City Manager*
Cristine Alilovich, *Assistant City Manager*
Mark Moses, *Finance Director*
Lindsay Lara, *City Clerk*

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

PFM Financial Advisors LLC
San Francisco, California

Trustee

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2018 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the Authority, the City or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the 2018 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the Authority, the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City or the Authority in any press release and in any oral statement made with the approval of an authorized officer of the City or the Authority or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project", "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, the Authority or any other entity described or referenced herein since the date hereof.

Involvement of Underwriter. The following statement has been included in this Official Statement on behalf of the Underwriter of the 2018 Bonds: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a 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.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market prices of the 2018 Bonds at levels above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2018 Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Indenture, the Lease or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The 2018 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The 2018 Bonds have not been registered or qualified under the securities laws of any state.

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 2018 Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, the Authority, the other parties described in this Official Statement, or the condition of the property within the City since the date of this Official Statement.

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 2018 Bonds.

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OFFICIAL STATEMENT

$45,485,000
SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
Lease Revenue Bonds, Series 2018
(Public Safety Facilities Project)
(Green Bonds)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the "**2018 Bonds**") by the San Rafael Joint Powers Financing Authority (the "**Authority**"). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Indenture (as defined below).

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 and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2018 Bonds to potential investors is made only by means of the entire Official Statement.

Authority for Issuance. The Authority is issuing the 2018 Bonds under the following:

(a) Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended, commencing with Section 6584 (the "**Law**"),

(b) resolutions adopted by the Board of Directors (the "**Board**") of the Authority on March 5, 2018 (the "**Authority Resolution**"), and by the City Council (the "**City Council**") of the City of San Rafael (the "**City**") on March 5, 2018 (the "**City Resolution**"), and

(c) an Indenture of Trust (the "**Indenture**") dated as of March 1, 2018, by and between the Authority and MUFG Union Bank, N.A., as trustee (the "**Trustee**").

The Authority*.* The Authority is a joint powers authority between the City and the California Municipal Finance Authority pursuant to an Amended and Restated Joint Exercise of Powers Agreement dated as of March 15, 2013, entered into under Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended, for the purpose, among others, of having the Authority provide financing and refinancing for certain projects of the City by entering into, among other arrangements, lease/leasebacks with the City.

The City. The City is located 17 miles north of San Francisco in Marin County (the "**County**") and is the County seat. The City was incorporated in 1874 and became a charter city in 1913. The City currently has a land area of approximately 17 square miles and an estimated January 1, 2017 population of approximately 60,842. The City's budgeted General Fund expenditures for fiscal year 2017-18 are $72,885,270. For demographic and financial information regarding the City and County, see "APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF SAN RAFAEL AND MARIN COUNTY," and "APPENDIX C – FISCAL YEAR 2016-17 COMPREHENSIVE ANNUAL FINANCIAL REPORT."

Purpose of the 2018 Bonds. The 2018 Bonds are being issued to finance the acquisition and construction of certain public safety improvements consisting generally of a new public safety center and two replacement fire stations (collectively, the "**Project**"), to fund (together with anticipated investment earnings) capitalized interest on the 2018 Bonds to September 1, 2020, and to pay the costs of issuing the 2018 Bonds.

See "FINANCING PLAN."

Security for the 2018 Bonds and Pledge of Revenues. Under the Indenture, the 2018 Bonds are payable from and secured by a first pledge of and lien on "**Revenues**" (as defined in this Official Statement) received by the Authority under the Lease Agreement dated as of March 1, 2018, between the Authority, as lessor, and the City, as lessee (the "**Lease**"), consisting primarily of lease payments (the "**Lease Payments**") made by the City under the Lease. The 2018 Bonds are also secured by certain funds on deposit under the Indenture, but no reserve fund will be established for the 2018 Bonds. See "SECURITY FOR THE 2018 BONDS."

The City and the Authority will enter into a Site Lease dated as of March 1, 2018 (the "**Site Lease**"). Under the Site Lease, the City will lease certain real property to the Authority, consisting of the site for the City's proposed Public Safety Center and, when completed, the improvements thereon (as described herein, the "**Leased Property**"). Concurrently, the City and the Authority will enter into the Lease, under which the Authority will lease the Leased Property back to the City for the purpose of financing the Project. See "THE LEASED PROPERTY."

Form of Bonds; Book-Entry Only**.** The 2018 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 2018 Bonds. Purchasers of the 2018 Bonds will not receive certificates representing the 2018 Bonds that are purchased. See "THE 2018 BONDS - Book-Entry Only System" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption**.** The 2018 Bonds are subject to optional redemption and special mandatory redemption from the proceeds of insurance or condemnation proceeds prior to their stated maturity dates. See "THE 2018 BONDS – Redemption."

Abatement. The Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease, the Bond Owners would receive less than the full amount of principal of and interest on the 2018 Bonds. To the extent proceeds of rental interruption insurance are available (as described below), Lease Payments (or a portion thereof) may be made from those proceeds during periods of abatement. See "SECURITY FOR THE 2018 BONDS – Abatement" and "BOND OWNERS' RISKS."

Legal Opinion. Upon delivery of the 2018 Bonds, Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel ("**Bond Counsel**") will release its final approving legal opinion with respect to the 2018 Bonds, regarding the validity and tax-exempt status of the 2018 Bonds, in the form attached hereto as APPENDIX D.

Risks of Investment. Debt service on the 2018 Bonds is payable only from Lease Payments and other amounts payable by the City to the Authority under the Lease. For a discussion of some of the risks associated with the purchase of the 2018 Bonds, see "BOND OWNERS' RISKS."

NEITHER THE 2018 BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE 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 2018 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2018 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER.

Certain Corrections to Preliminary Official Statement. Table 8 of the Preliminary Official Statement, dated March 6, 2017, has been corrected in this final Official Statement, as shown below. Although the total tax rate for each year was correct in the Preliminary Official Statement, certain component rates were incorrect. Also, the source for the information contained in Table 8 has been clarified.

Table 8
CITY OF SAN RAFAEL
Typical Tax Rate per $100 Assessed Value (TRA 8-000)
Fiscal Years 2013-14 through 2017-18

	2013-14	2014-15	2015-16	2016-17	2017-18
General Tax Rate	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
San Rafael School District	0.0551	0.0474	0.046~~3~~**2**	0.~~0535~~**0743**	0.~~0201~~**0706**
San Rafael High School District	0.0294	0.0273	0.0266	0.~~0710~~**0502**	0.~~0706~~**0365**
Marin Community College District	0.0204	0.0180	0.0165	0.0142	0.~~0365~~**0338**
Marin Healthcare District	N/A	N/A	0.0235	0.0093	0.~~0338~~**0201**
Total Tax Rate	$1.1049	$1.0927	$1.1128	$1.1480	$1.1610

*Sources: **Willdan Financial Services for 2013-14 through 2016-17;** California Municipal Statistics, Inc. **for 2017-18.***

FINANCING PLAN

The 2018 Bonds are being issued to provide funds to finance the Project, fund (together with anticipated investment earnings) capitalized interest on the 2018 Bonds to September 1, 2020, and pay the costs of issuing the 2018 Bonds.

The Project

The Project anticipated to be financed with proceeds of the 2018 Bonds includes certain public capital improvements of the City, consisting generally of a new public safety center and two replacement fire stations.

Replacement Fire Stations. In April 2017, the City entered into a construction contract for $19,940,000 for the major construction and renovation of two fire stations, Fire Station 57 and Fire Station 52. The contract amount was reduced shortly thereafter to its current sum of $19,098,834. These two projects are further described below.

Replacement of Fire Station 57, located at 3530 Civic Center Drive. The new 9,855-square foot, two-story fire station will remain located at 3530 Civic Center Drive in the City, and will house five on-duty fire fighters/paramedics. The new station is designed to accommodate six on-duty personnel should additional staffing be required to better serve the community.

The core elements of the new station will include three drive-through apparatus bays, apparatus support spaces, public lobby, accessible restroom, office, kitchen, dining, dayroom, laundry room, private sleeping quarters, unisex restrooms, mechanical, electrical, communications rooms and staff parking. Other notable site or adjacent improvements will include access aprons and sidewalk replacement along Civic Center Drive, modification of median(s) in front of the station on Civic Center Drive to align with the new apparatus bay location, and striping of a "keep clear" zone in front of the apparatus bay apron on Civic Center Drive.

Construction has commenced, and the City expects to complete this new station in or about January 2019.

Replacement of Fire Station 52, located 210 3rd Street. The new 10,973 square foot, two-story fire station will remain located at 210 Third Street in the City, and will house five on-duty fire fighters in a 24-hour shift. The new station is designed to accommodate six on-duty personnel should additional staffing be required to better serve the community.

The core elements of the new station will include three drive-through apparatus bays, apparatus support spaces, public lobby, accessible restroom, office, kitchen, dining, dayroom, laundry room, private sleeping quarters, unisex restrooms, mechanical, electrical, communications rooms and staff parking. Other notable site/adjacent improvements will include a second new structure that will be a four-story training tower. The new 3,322 square foot, 46' high, pre-engineered building will be located at the south/east corner of the site and will provide a variety of training scenario opportunities, not only for the City's Fire Department, but also for other neighboring fire departments. Finally, a third new building on the site will be a 1,297-square foot, 24-person, training classroom. The facility will serve as a training academy by day and will be utilized in the evening for certification training/meetings, CPR classes, and other fire prevention functions.

Construction has commenced, and the City expects to complete this new station in or about August 2018.

Construction of Public Safety Center – 5th Avenue between C Street and D Street. The proposed project is a new, 43,500-square-foot facility, with three levels including a 17,000-square-foot basement to remain at 1375 5th Avenue, San Rafael, California. The facility will house four fire fighters and the Battalion Chief. It will provide fire department administrative division which includes the office of the Fire Chief, the fire prevention bureau and administrative staff. It will also provide services for the administration and the Office of the Chief, patrol operations, investigations, dispatch, evidence and property and professional standards. The core elements of the new facility include conference rooms, an emergency operations center /training room, break rooms, sleeping rooms, fitness room, lobby and public restrooms, men's and women's staff toilets, and all infrastructure support areas including computer rooms, electrical rooms, etc. The basement and subterranean garage will be for on-site parking for marked patrol vehicles and specialty Police Department (PD) units, the PD holding facility, evidence storage and processing functions and storage areas for the motorcycle and bicycle patrol units. The first level, which includes the main lobby, shared conference and support facilities and the apparatus bay, will be situated midway between the basement level and the first level. Lastly, the second level contains PD locker rooms, dispatch and other PD support areas to the north of the lobby. To the south of the lobby are the living quarters for Fire Station 51 Engine Company and the emergency operations center. This community asset will provide a productive and safe work environment for its employees while being open and available to the public to conduct Police and Fire Department business.

The estimated construction cost of the new public safety center is approximately $47.6 million, and the estimated land value of the underlying site is approximately $4.5 million. The public safety center is the only facility that is subject to the Lease Agreement. The fire stations described above will not be subject to the Lease Agreement. See "THE LEASED PROPERTY." There is no deed of trust or mortgage on the public safety center to secure the Bonds. See "BOND OWNERS' RISKS - Limitations on Remedies Available to Bond Owners."

The notice to proceed for this project was issued in February 2018, and the City expects to take occupancy of the new facility in or about March 2020.

Green Project Features. The new public safety center and the two new fire stations are each certified as LEED gold projects. Building elements for each project include natural daylighting and ventilation; robust building envelopes with insulated, low-e glazing; highly efficient mechanical systems with controls to moderate energy use; solar power to reduce electrical demand from the grid; exterior material color selection to reduce heat gain; high recycled content of building materials; and masonry, concrete and steel construction for building longevity. Site elements for each project include storage and filtration of rain water to reduce run-off; and native vegetation with drip irrigation or non-potable irrigation water where available.

Fire Station 57

Fire Station 52

Public Safety Center

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2018 Bonds are as follows:

Sources of Funds:	
Principal Amount of 2018 Bonds	$45,485,000.00
Plus: Original Issue Premium	8,248,396.60
TOTAL SOURCES	$53,733,396.60
Uses of Funds:	
Deposit to Costs of Issuance Fund (1)	$238,870.58
Underwriter's Discount	134,597.27
Deposit to Capitalized Interest Subaccount (2)	4,859,928.75
Deposit to Project Fund	48,500,000.00
TOTAL USES	$53,733,396.60

(1) Represents funds to be used to pay Costs of Issuance, which include legal fees, printing costs, rating agency fees and other costs of issuing the 2018 Bonds.
(2) Represents an amount which, together with anticipated interest earnings on amounts in the Project Fund and the Capitalized Interest Subaccount, is sufficient to capitalize interest to September 1, 2020.

Issuance as Green Bonds

The City is issuing the Bonds as "Green Bonds" due to the intended use of the proceeds. The designation of the Bonds as Green Bonds is intended to allow investors the opportunity to invest directly in bonds that finance environmentally beneficial projects. The term "Green Bonds" is not defined in the Indenture, and its use in this Official Statement is for identification purposes only and is not intended to provide or imply that the holders of the Bonds are entitled to any additional terms or security in addition to those provided in the Indenture.

Use of the proceeds of the Bonds will be tracked by the City. The City will post updates regarding the use of proceeds of the Bonds with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system, currently located at www.emma.msrb.org (which website is not incorporated into this Official Statement by reference), annually, and will post a final list of projects funded once all proceeds of the Bonds have been spent. A form of this report is attached as APPENDIX G.

The City currently expects the final component of the Project to be completed by March 2020. Once all proceeds of the Bonds have been spent, no further updates regarding the projects will be provided or filed.

Future Capital Projects

The City has adopted a strategic plan to fund certain proposed capital projects from proceeds of the 0.75% Measure E Transactions and Use Tax, including the Project. After completion of the Project, approximately $8.5 million in capital projects in the strategic plan will remain uncompleted (the "**Future Projects**"). The Future Projects may be funded from Measure E Tax revenues or other General Fund monies on a pay-go basis; from proceeds of the 2018 Bonds (if Project cost savings are achieved and 2018 Bond proceeds are available for such purpose); from proceeds of future indebtedness; or from some combination thereof. The City has not made any binding determinations as to the funding sources for the Future Projects.

THE LEASED PROPERTY

Description and Location

Lease Payments will be made by the City under the Lease for the use and occupancy of the Leased Property, which consists of the proposed public safety center described above under the heading "FINANCING PLAN - The Project."

Modification of Leased Property

Under the Lease, the City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease.

Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this provision of the Lease, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this provision of the Lease; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

Substitution

Under the Lease, the City has the option at any time and from time to time, to substitute other real property (the "**Substitute Property**") for the Leased Property or any portion thereof (the "**Former Property**"), upon satisfaction of all of the requirements set forth in the Lease, which includes (among others) the following:

- The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the County Recorder, sufficient memorialization of an amendment of the Lease, the Site Lease and the Assignment Agreement that adds the legal description of the Substitute Property and deletes therefrom the legal description of the Former Property, and has filed and caused to be recorded corresponding amendments to the Site Lease and Assignment Agreement.

- The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate under the Lease in the Substitute Property, subject only to Permitted Encumbrances (as defined in the Lease), in an amount at least equal to the estimated value thereof.

- The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.

- The City has filed with the Authority and the Trustee a written certificate of the City or other written evidence stating that the useful life of the Substitute Property at least extends to the final maturity date of the 2018 Bonds, that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the 2018 Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable under the Lease.

See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Upon the satisfaction of all such conditions precedent, the Term of the Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this provision of the Lease.

Release of Leased Property

Under the Lease, the City has the option at any time and from time to time to release any portion of the Leased Property from the Lease (the "**Released Property**") provided that the City has satisfied all of the requirements under the Lease that are conditions precedent to such release, which include (among others) the following:

- The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the County Recorder sufficient memorialization of an amendment of the Lease, the Site Lease and the Assignment Agreement which removes the Released Property from the Lease, the Site Lease and the Assignment Agreement.

- The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to the Lease following such release is at least equal to the aggregate Outstanding principal amount of the 2018 Bonds, and the fair rental value of the property which remains subject to the Lease following such release is at least equal to the Lease Payments thereafter coming due and payable thereunder.

See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

THE 2018 BONDS

This section provides summaries of the 2018 Bonds and certain provisions of the Indenture. See APPENDIX B for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Authority for Issuance

The 2018 Bonds are being issued under the Law, the Authority Resolution (which was adopted by the Board of the Authority on March 5, 2018), the City Resolution (which was adopted by the City Council on March 5, 2018), and the Indenture.

General Provisions

Bond Terms. The 2018 Bonds will be dated their date of delivery and issued in fully registered form without coupons in integral multiples of $5,000, so long as no Bond has more than one maturity date.

Interest on the 2018 Bonds will be payable on June 1 and December 1 in each year, commencing June 1, 2018 (each an "**Interest Payment Date**"). The 2018 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.

Calculation of Interest. Interest on the 2018 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

(a) a 2018 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,

(b) a 2018 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or

(c) interest on any 2018 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.

Interest with respect to the 2018 Bonds will be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Record Date. Under the Indenture, "Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

Payments of Principal and Interest. Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the 2018 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any 2018 Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such 2018 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the 2018 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2018 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of 2018 Bonds in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2018 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which will remain in effect until rescinded in writing by the Owner.

The Trustee will pay principal of the 2018 Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

While the 2018 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the 2018 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2018 Bonds. See "– Book-Entry Only System" below.

Redemption

Optional Redemption. The 2018 Bonds maturing on or before June 1, 2028 are not subject to optional redemption prior to their stated maturity. The 2018 Bonds maturing on or after June 1, 2029 are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on June 1, 2028 and on any date thereafter, at a redemption price equal to 100% of the principal amount of 2018 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The 2018 Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2018 Bonds of a single maturity, the Trustee will select the 2018 Bonds of that maturity to be redeemed from all 2018 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each 2018 Bond as consisting of separate $5,000 portions and each such portion shall be subject to redemption as if such portion were a separate 2018 Bond.

Notice of Redemption. The Trustee shall mail notice of redemption of the 2018 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 2018 Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and shall file such notice electronically with the Municipal Securities Rulemaking Board.

Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

Rescission of Redemption. Redemption notices may be conditional. The Authority has the right to rescind any notice of optional redemption of the 2018 Bonds by written notice to the Trustee on or prior to the date fixed for redemption.

Any notice of redemption will 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 2018 Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture.

The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

Effect of Redemption. If notice of redemption has been duly given as provided in the Indenture, 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 2018 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2018 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2018 Bonds so called for redemption will cease to accrue, said 2018 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2018 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

The 2018 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 denomination of $5,000 or any integral multiple of $5,000, under the book-entry system maintained by DTC. While the 2018 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a 2018 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 2018 Bonds. Purchasers of the 2018 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

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

Transfer, Registration and Exchange

The following provisions regarding the exchange and transfer of the 2018 Bonds apply only during any period in which the 2018 Bonds are not subject to DTC's book-entry system. While the 2018 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Bond Register. 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 2018 Bonds, which shall 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 shall, 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 2018 Bonds as provided in the Indenture.

Transfer of Bonds. Any 2018 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 2018 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 will require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Whenever any 2018 Bond is or 2018 Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new 2018 Bond or 2018 Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority will pay the cost of printing 2018 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of 2018 Bonds.

Exchange of Bonds. The 2018 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2018 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. The Authority will pay the cost of printing 2018 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of 2018 Bonds.

Limitations on Transfer and Exchange. The Trustee may refuse to transfer or exchange, under these provisions of the Indenture, any 2018 Bonds selected by the Trustee for redemption under the Indenture, or any 2018 Bonds during the period established by the Trustee for the selection of 2018 Bonds for redemption.

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DEBT SERVICE SCHEDULE

The table below shows the semiannual and bond year debt service payments on the 2018 Bonds.

Date	Principal	Interest	Debt Service	Bond Year [1] Debt Service
June 1, 2018	--	$ 391,028.75	$ 391,028.75	$ 391,028.75
December 1, 2018	--	1,117,225.00	1,117,225.00	--
June 1, 2019	--	1,117,225.00	1,117,225.00	2,234,450.00
December 1, 2019	--	1,117,225.00	1,117,225.00	--
June 1, 2020	--	1,117,225.00	1,117,225.00	2,234,450.00
December 1, 2020	--	1,117,225.00	1,117,225.00	--
June 1, 2021	$1,910,000.00	1,117,225.00	3,027,225.00	4,144,450.00
December 1, 2021	--	1,079,025.00	1,079,025.00	--
June 1, 2022	2,070,000.00	1,079,025.00	3,149,025.00	4,228,050.00
December 1, 2022	--	1,037,625.00	1,037,625.00	--
June 1, 2023	2,240,000.00	1,037,625.00	3,277,625.00	4,315,250.00
December 1, 2023	--	981,625.00	981,625.00	--
June 1, 2024	2,435,000.00	981,625.00	3,416,625.00	4,398,250.00
December 1, 2024	--	920,750.00	920,750.00	--
June 1, 2025	2,645,000.00	920,750.00	3,565,750.00	4,486,500.00
December 1, 2025	--	854,625.00	854,625.00	--
June 1, 2026	2,870,000.00	854,625.00	3,724,625.00	4,579,250.00
December 1, 2026	--	782,875.00	782,875.00	--
June 1, 2027	3,105,000.00	782,875.00	3,887,875.00	4,670,750.00
December 1, 2027	--	705,250.00	705,250.00	--
June 1, 2028	3,355,000.00	705,250.00	4,060,250.00	4,765,500.00
December 1, 2028	--	621,375.00	621,375.00	--
June 1, 2029	3,615,000.00	621,375.00	4,236,375.00	4,857,750.00
December 1, 2029	--	531,000.00	531,000.00	--
June 1, 2030	3,895,000.00	531,000.00	4,426,000.00	4,957,000.00
December 1, 2030	--	433,625.00	433,625.00	--
June 1, 2031	4,190,000.00	433,625.00	4,623,625.00	5,057,250.00
December 1, 2031	--	328,875.00	328,875.00	--
June 1, 2032	4,500,000.00	328,875.00	4,828,875.00	5,157,750.00
December 1, 2032	--	216,375.00	216,375.00	--
June 1, 2033	4,825,000.00	216,375.00	5,041,375.00	5,257,750.00
December 1, 2033	--	95,750.00	95,750.00	--
June 1, 2034	3,830,000.00	95,750.00	3,925,750.00	4,021,500.00
Total:	$45,485,000.00	$24,271,928.75	$69,756,928.75	$69,756,928.75

[1] 12-month period ending June 1.

SECURITY FOR THE 2018 BONDS

The principal of and interest on the 2018 Bonds are not a debt of the Authority 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 Revenues and other amounts pledged under the Indenture.

This section provides summaries of the security for the 2018 Bonds and certain provisions of the Indenture, the Lease and the Site Lease. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a more complete summary of the Indenture, the Lease and the Site Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Revenues; Pledge of Revenues

Pledge of Revenues and Other Amounts. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts (including proceeds of the sale of the 2018 Bonds) held in any fund or account established under the Indenture are pledged to secure the payment of the principal of and interest and premium (if any) on the 2018 Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

Definition of Revenues. "**Revenues**" are defined in the Indenture as follows:

(a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in the provisions of the Lease relating to permitted amendments that provide for additional rental to be pledged or assigned for the payment of bonds issued to finance or refinance projects for which the City is authorized to expend its funds, and (ii) any Additional Rental Payments (consisting of certain administrative costs due to the Authority and the Trustee under the Lease), and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Assignment to Trustee. Under the Assignment Agreement, the Authority has transferred to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under the provisions of the Lease regarding Additional Rental Payments, advances, release and indemnification covenants, and agreement to pay attorneys' fees, and its rights to give approvals and consents thereunder).

The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee.

The Trustee is also entitled to and may, subject to the provisions of the Indenture regarding rights of the Trustee, 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 Lease.

Allocation of Revenues by Trustee; Application of Funds

Deposit of Revenues in Bond Fund. All Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund will be promptly deposited in such funds.

All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of the principal of and interest on the 2018 Bonds (or provision having been made therefor under the Indenture), and payment in full of any applicable fees and expenses owed to the Trustee, will be withdrawn by the Trustee and remitted to the City.

Allocation of Revenues. On or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) Deposit to Interest Account. The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all 2018 Bonds then Outstanding.

(b) Deposit to Principal Account. The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2018 Bonds coming due and payable on such Interest Payment Date.

Capitalized Interest. A portion of the proceeds of the 2018 Bonds will be deposited in the Capitalized Interest Subaccount of the Interest Account. On or before each Interest Payment Date through and including September 1, 2020, the Trustee will withdraw from the Capitalized Interest Subaccount and transfer to the Interest Account the amount necessary to pay interest then becoming due and payable on the 2018 Bonds. Such transfers will be credited against the amounts to be transferred to the Interest Account as described in the preceding paragraph (a). Interest earnings and profits resulting from the investment of amounts in the Capitalized Interest Subaccount shall be retained in the Capitalized Interest Subaccount and used for the purposes thereof.

Lease Payments; Covenant to Appropriate

Obligation to Pay. Under the Lease, subject to the provisions of Lease regarding abatement and prepayment, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in the Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in the Lease. Each Lease Payment Date is one Business Day prior to the corresponding Interest Payment Date.

Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under the Lease, and amounts required for payment of past due principal or interest on any 2018 Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid under the Lease. The City is not required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

The Lease Payments payable in any Rental Period are for the use of the Leased Property during that Rental Period.

Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period.

The City and the Authority have agreed and determined that the total Lease Payments do not exceed the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under this Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

Source of Payments; Covenant to Budget and Appropriate. Under the Lease, the Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Lease regarding abatement. See " – Abatement" below.

The City covenants in the Lease to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. This covenant of the City constitutes a duty imposed by law and each and every public official of the City is required to take all actions 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 agreed to be carried out and performed by the City under the Lease.

Limited Obligation

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR 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.

Abatement

Termination or Abatement Due to Eminent Domain*.* Under the Lease, if the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

(a) the Lease will continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and

(b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Abatement Due to Damage or Destruction*.* Under the Lease, the Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof.

The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction.

In the event of any such damage or destruction, this Lease continues in full force and effect and the City waives any right to terminate this Lease by virtue of any such damage and destruction.

No Reserve Fund

No debt service reserve fund has been established with respect to the 2018 Bonds. See "BOND OWNERS' RISKS – No Debt Service Reserve Fund."

Property Insurance

Liability and Property Damage Insurance*.* Under the Lease, the City is required to maintain or cause to be maintained throughout the Term of the Lease, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property.

Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance 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, subject to the provisions of the Lease, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

Casualty Insurance*.* Under the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding 2018 Bonds.

Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance may, at the sole discretion of the City, include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the City.

Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance 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 the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in the Lease and described below.

Rental Interruption Insurance*.* Under the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the casualty insurance described above, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years.

Such insurance 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 the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance.

The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Application of Net Proceeds*.* The Trustee, as assignee of the Authority under the Assignment Agreement, has the right to receive all Net Proceeds. As provided in the Indenture, the Trustee will deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied to the redemption of 2018 Bonds as set forth in the Indenture.

Remedies on Default

Upon the occurrence and continuance of any Event of Default, the Authority has the right to terminate the Lease Agreement or, with or without such termination, re-enter, take possession of and re-let the Leased Property. When the Authority does not elect to terminate the Lease Agreement, the City remains liable to pay all Lease Payments as they come due and liable for damages resulting from such Event of Default. Any amounts collected by the Authority from the reletting of the Leased Property will be credited towards the unpaid Lease Payments. Any net proceeds of re-leasing or other disposition of the Leased Property are required to be applied as set forth in the Indenture. Under the Assignment Agreement, the Authority assigns all of its rights with respect to remedies in an Event of Default to the Trustee, so that all such remedies will be exercised by the Trustee and the Bond Owners as provided in the Indenture.

The Trustee has no right to accelerate Lease Payments and, due to the governmental nature of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of re-entry, repossession or re-letting.

See also "BOND OWNERS' RISKS - Default" and "- Limitations on Remedies Available to Bond Owners."

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CITY FINANCIAL INFORMATION

General

The City is located 17 miles north of San Francisco in the County. The City is the County seat and largest city within the County. The City currently has a land area of 22 square miles which includes 17 square miles of land and five of water and tidelands, and a population estimated at 60,842 as of January 1, 2017. Cultural, park and recreational resources are available within the City, and nearby attractions include Muir Woods, five State parks, the San Francisco area, Oakland and the wine country.

The City provides municipal services required by statute or charter, namely: Fire, Police, Community Development (encompassing Building, Planning and Code Enforcement), Public Works, Community Services (both Recreational and Child Care Programs), Redevelopment, Library and General Administrative Services. For certain general and demographic information regarding the City, see "APPENDIX B - City of San Rafael General Information."

The City was incorporated in 1874 and became a charter city in 1913. It has a council/city manager form of government, with the County's only elected mayor and four elected city council members who serve four-year terms.

Accounting Policies and Financial Reporting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The basis of accounting for all funds is more fully explained in the "Notes to Financial Statements" contained in Appendix C.

The City actively maintains a number of policies that support ongoing financial decision-making. At the City Council level, policies are maintained for General Fund Reserves, Investments, Debt (covering capital project financing and debt issuance considerations), Pension Funding, and Other Post-Employment Benefit (OPEB) Funding. See - "CITY FINANCIAL INFORMATION - General Fund Reserves" and "- Investment of City Funds - *Investment Policy*." The City Manager and Finance Director report to the City Council annually on the status of Pension and OPEB funding as well as on the condition of City reserves. See - "CITY FINANCIAL INFORMATION - Retirement System - *Funding Policy*" and "- Other Post-Employment Benefits ("OPEB") - *Funding Policy*."

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published. The City's Independent Auditor's Report for fiscal year 2016-17 was prepared by Maze & Associates Accountancy Corporation, Pleasant Hill, California.

The City's financial statements comply with Governmental Accounting Standards Board ("**GASB**") Statement No. 34. See "APPENDIX C – Audited Annual Statements of the City for the Fiscal Year Ended June 30, 2017 – Audited Financial Statement – Note 1" for a description of the significant accounting policies of the City. See "FINANCIAL STATEMENTS OF THE CITY" below.

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General Fund Financial Summary

The audited information contained in the following tables of revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity has been derived from the City's audited financial statements for fiscal years 2013-14 through 2016-17.

Table 1
CITY OF SAN RAFAEL
General Fund - Audited Revenues, Expenditures and Fund Balances
For Fiscal Years 2013-14 through 2016-17

	Audited Fiscal Year 2013-14	Audited Fiscal Year 2014-15	Audited Fiscal Year 2015-16	Audited Fiscal Year 2016-17
Revenues:				
Taxes and special assessments	$51,510,233	$56,541,604	$60,217,831	$64,242,440
Licenses and permits	1,934,755	2,456,820	2,588,411	2,559,841
Fines and forfeitures	669,553	505,029	435,829	400,283
Use of money and property	265,034	290,103	221,832	229,791
Intergovernmental	6,703,119	7,846,436	8,078,040	2,767,092
Charges for services	2,124,933	2,660,869	2,772,446	2,459,680
Other revenues	1,075,311	446,272	441,761	706,657
Total Revenues	64,282,938	70,747,133	74,756,150	73,365,784
Expenditures:				
Current operating:				
General government	8,546,690	9,530,931	10,501,341	10,190,580
Public safety	35,138,757	36,564,699	39,230,483	40,844,246
Public works and parks	9,793,235	10,392,192	10,468,421	11,201,655
Community development/redevelopment	3,296,375	3,416,859	3,670,108	3,659,564
Cultural and recreation	2,545,446	2,801,488	2,963,125	3,077,435
Capital Outlay	42,016	--	--	--
Capital improvement/special projects	17,288	30,676	12,389	--
Debt service: principal	39,642	75,172	75,172	175,172
Interest and fiscal charges	279,605	284,288	277,263	271,263
Total Expenditures	59,699,054	63,096,305	67,198,302	69,519,915
Excess (deficiency) of revenues over expenditures	4,583,884	7,650,828	7,557,848	3,845,869
Other financing sources (uses):				
Proceeds from PG&E Loans	568,481	--	--	--
Operating transfers in	1,225,080	1,039,150	1,110,809	1,382,303
Operating transfers out	(2,498,336)	(1,697,664)	(2,491,249)	(1,796,089)
Capital transfers out	--	--	(1,849,406)	(5,417,454)
Total other financing sources (uses)	(704,775)	(658,514)	(3,229,846)	(5,831,240)
Net change in Fund Balance	3,879,109	6,992,314	4,382,002	(1,985,371)
Fund balance, July 1	3,490,378	7,369,487	14,361,801	18,689,803
Fund balance, June 30	$7,369,487	$14,361,801	$18,689,803	$16,704,432

Source: City of San Rafael; Comprehensive Annual Financial Reports.

Table 2
CITY OF SAN RAFAEL
General Fund Balance Sheet
As of June 30 for Fiscal Years 2013-14 through 2016-17

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
ASSETS:				
Cash and investments for operations	$4,422,768	$11,912,244	$11,761,730	$13,434,032
Restricted cash and investments	--	--	--	--
Receivables:				
Accounts	2,014,927	1,212,870	1,280,029	1,257,061
Taxes	5,756,649	5,906,885	10,349,225	7,109,197
Grants	--	7,940	35,206	--
Interest	64,615	88,654	118,226	167,018
Loans	398,546	350,282	294,529	230,973
Long-term receivable from the Successor Agency	1,779,324	1,533,103	1286,882	761,773
Prepaid expenses	104,792	49,017	181,787	277,473
TOTAL ASSETS	14,541,621	21,060,995	25,307,614	23,237,538
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	3,064,081	3,531,630	3,800,802	4,144,408
Deposits payable	62,710	86,477	65,457	79,411
Developer bonds payable	402,190	455,913	376,567	387,085
Due to other funds	--	--	--	--
Deferred revenue	--	--	--	--
Compensated absences	--	--	--	64,189
Unearned revenue	--	--	--	--
TOTAL LIABILITIES	3,528,981	4,074,020	4,242,826	4,675,093
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - SB90 reimbursement receivable	1,863,829	1,092,071	1,088,103	1,096,240
Unavailable revenue - long-term receivable from Successor Agency	1,779,324	1,533,103	1,286,882	761,773
Fund Balance:				
Nonspendable	503,338	399,299	476,316	508,446
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	6,866,149	12,374,002	16,440,910	14,900,945
Unassigned	--	1,588,500	1,772,577	1,295,041
Total fund balance	7,369,487	14,361,801	18,689,803	16,704,432
Total liabilities and fund balance	$14,541,621	$21,060,995	$25,307,614	$23,237,538

Source: City of San Rafael; Basic Financial Statements.

Recent Budgets

Fiscal Year 2016-17. The City adopted a fiscal year 2016-17 budget on June 6, 2016. The total proposed fiscal year 2016-17 budget for the City was $106,673,115. This sum reflected all funds and operations for the City, inclusive of $4,807,372 in new appropriations for capital projects. These appropriations were supported by fiscal year 2016-17 revenue and other sources then projected at $105,031,599 as well as by funds retained from previous periods for capital projects.

The General Fund portion of the City budget was balanced in that fiscal year 2016-17 expenditures and operating transfers out, totaling $72,321,799, were fully supported by fiscal year 2016-17 General Fund revenues and operating transfers in, then projected at $75,499,303.

The 2016-17 budget also provided for capital transfers for major construction and improvements to public safety facilities known as the San Rafael Essential Facilities project. At the City Council's direction, this project's chief funding source was allocations from Measure E Transactions and Use Tax revenues ("**Measure E**") (see "- Other Taxes" below) that had been set aside in previous years.

Fiscal Year 2017-18. On June 5, 2017, the City Council adopted the City's budget for fiscal year 2017-18. The total proposed fiscal year 2017-18 budget for the City is $111,578,822. The Capital Improvement Program has new planned expenditures of $9,302,302 for the year. Appropriations are supported by fiscal year 2017-18 revenue and other sources projected at $108,639,679 as well as funds retained from previous periods for capital projects.

The General Fund portion of the City budget is balanced in that fiscal year 2017-18 expenditures and operating transfers out, totaling $75,235,270, are fully supported by fiscal year 2017-18 General Fund revenues and transfers in, projected at $78,489,437. The budget also provides for capital transfers of $4,025,000 for continued funding of the San Rafael Essential Facilities project. As was the case in the prior year, this project's chief funding source is allocations from Measure E revenues ("Measure E") (see "-Other Taxes" below).

The General Fund operating-related appropriations for fiscal year 2017-18 also provide for an allocation of $210,000 to maintain the emergency and cashflow reserve at its target level, as well as authorization to use $1,271,000 of previously unallocated and unassigned funds for limited-term operating needs.

Comparison of Budget to Actual Performance

For purposes of comparison, the following table summarizes the City's adopted budgets for fiscal years 2015-16 and 2016-17 and sets forth audited revenues and expenditures for fiscal years 2015-16 and 2016-17; it also includes the City's budgeted figures for fiscal year 2017-18.

Table 3
CITY OF SAN RAFAEL
General Fund - Comparison of Budgeted and Actual
Revenues, Expenditures and Fund Balances
For Fiscal Years 2015-16 through 2017-18

	Budgeted Fiscal Year 2015-16	Audited Fiscal Year 2015-16	Budgeted Fiscal Year 2016-17	Audited Fiscal Year 2016-17	Budgeted Fiscal Year 2017-18
Revenues:					
Taxes and special assessments	$59,537,000	$60,217,831	$64,563,000	$64,242,440	66,848,000
Licenses and permits	2,545,000	2,588,411	2,511,000	2,559,841	2,782,000
Fines and forfeitures	473,000	435,829	448,000	400,283	457,000
Use of money and property	278,100	221,832	288,000	229,791	238,200
Intergovernmental	7,533,767	8,078,040	3,042,000	2,767,092	3,323,000
Charges for services	2,739,287	2,772,446	2,869,000	2,459,680	2,980,450
Other revenues	457,000	411,761	396,000	706,657	504,443
Total Revenues	73,563,154	74,756,150	74,117,000	73,365,784	77,133,093
Expenditures:					
General government	10,093,917	10,501,341	10,941,401	10,190,580	9,633,850
Public safety	38,943,504	39,230,483	40,958,109	40,844,246	43,270,574
Public works and parks	10,999,225	10,468,421	10,943,588	11,201,655	11,512,560
Community development	3,914,771	3,670,108	4,154,885	3,759,564	4,570,439
Culture and recreation	3,005,021	2,963,125	3,076,042	3,077,435	3,255,722
Capital Outlay	145,457	--	--	--	90,690
Capital improvement/ special projects	15,922	12,389	--	--	--
Debt service: principal	75,172	75,172	175,172	175,172	280,172
Interest and fiscal charges	276,513	277,263	276,513	271,263	271,263
Total Expenditures	67,469,572	67,198,302	70,525,710	69,519,915	72,885,270
Excess (Deficiency) of Revenues Over (under) Expenditures	6,093,582	7,557,848	3,591,290	3,845,869	4,247,823
Other financing sources (uses):					
Operating transfers in	1,110,810	1,110,809	1,382,303	1,382,303	1,356,344
Operating transfers out	(2,491,249)	(2,491,249)	(1,796,089)	(1,796,089)	(2,350,000)
Capital transfers out	(1,849,406)	(1,849,406)	(5,417,454)	(5,417,454)	(4,025,000)
Total other financing sources (uses)	(3,229,845)	(3,229,846)	(5,831,240)	(5,831,240)	(5,018,656)
Net change in Fund Balance	$2,863,737	4,328,002	($2,239,950)	(1,985,371)	(770,833)
Fund balances, beginning of year		14,361,801		18,689,803	16,704,432
Fund balances, end of year		$18,689,803		$16,704,432	15,933,599

Source: City of San Rafael.

General Fund Reserves

The City Council has adopted a financial management policy requiring that emergency and cash flow reserves be maintained at 10% of General Fund expenditures. In fiscal year 2015-16, the reserves were funded at 10.2%. During fiscal year 2016-17, reserves were funded at 10.4% of General Fund expenditures, and are projected to remain at that level through fiscal year 2017-18 reflecting the City's commitment to maintain a minimum reserve of 10%. As part of the City's long-term budget and the City Council's desire for a contingency reserve for emergencies, the City plans to increase reserves as resources become available.

Other Reserves - Internal Service Funds

The City maintains internal services funds that are available to the General Fund. The funds include reserves for Employee Benefits, General Liability, Workers' Compensation, and Equipment Replacement. In fiscal year 2015-16, these reserves represented 12.6% of General Fund expenditures, 13.3% in fiscal year 2016-17, and, in fiscal year 2017-18, these reserves are projected to remain at a comparable level.

General Fund Revenues by Source

Revenues received by the City include sales taxes, property taxes, transaction/use taxes (Measure E), business license taxes, property transfer taxes, occupancy taxes, franchise taxes, business license taxes and other miscellaneous taxes.

The following table sets forth General Fund revenues received by the City for fiscal years 2013-14 through 2016-17, by source, as well as the percentage of total fiscal year 2016-17 revenues that each revenue source contributes.

Table 4
CITY OF SAN RAFAEL
General Fund Revenues by Source
For Fiscal Years 2013-14 through 2016-17

Source:	2013-14	2014-15	2015-16	2016-17	Percent of Total 2016-17 Revenues
Taxes:					
Property[(1)]	$18,439,619	$19,039,443	$19,998,567	$21,532,626	29.35%
Sales:					
Sales and Use	$19,283,904	$20,634,478	$22,342,619	$19,818,323	27.01%
Measure E three-quarter cent sales tax[(2)]	2,672,002	11,201,000	11,544,000	11,534,888	15.72
Measure S	5,444,446	12,433	28,144	28,878	0.04
Total, Sales Taxes	$27,400,352	$31,847,911	$33,914,763	$31,382,089	42.77%
Property Transfer Tax	$1,708,976	$1,513,524	$1,707,694	$1,810,514	2.47%
Transient occupancy	2,332,277	2,661,878	3,063,263	2,984,758	4.07
Franchise	3,260,958	3,272,390	3,418,277	3,610,824	4.92
Business license	2,588,728	2,670,071	2,824,664	2,774,803	3.78
Other Taxes[(3)]	211,828	199,282	210,607	216,922	0.30
Licenses and Permits	1,934,755	2,456,820	2,588,411	2,559,841	3.49
Fines and Forfeitures	669,553	505,030	435,829	400,283	0.55
Use of Money and Property	265,034	290,103	221,832	229,791	0.31
Intergovernmental	2,270,614	3,183,540	3,158,036	2,696,996	3.68
Charges for Services	2,124,933	2,660,869	2,772,446	2,459,680	3.35
Other revenue	1,075,311	446,272	441,761	706,657	0.96
Total	$64,282,938	$70,747,133	$74,756,150	$73,365,784	100.00%

(1) Property tax revenue includes secured, unsecured, supplemental, educational relief augmentation fund, homeowner's exemption and VLF property tax backfill property tax revenue along with penalties and interest.
(2) Measure "E" Transaction and Use Tax. See "Other Taxes" below.
(3) Other taxes include Unitary tax.
Source: City of San Rafael.

Sales Taxes

General. Sales tax represented the largest source of revenue to the City in fiscal year 2015-16 and is projected by an independent third-party consultant to be the largest source of revenue in fiscal years 2016-17 and 2017-18. This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State.

Sales Tax Rates. The sales tax is governed by the Bradley-Burns Uniform Local Sales and Use Tax (the "Sales Tax Law"). A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. The statewide sales tax rate is 7.25%, of which the City's share is 1.00%.

After peaking above 10% during fiscal year 2014-15, sales tax growth has plateaued during the past two years. Recurring sales tax revenues are estimated to increase by 3.0% to $21.1 million in fiscal year 2017-18. Sales taxes account for 28% of General Fund revenues. All proceeds of the tax are required to be deposited into the City's General Fund to be used for all general municipal governmental purposes at the City's discretion.

An additional 0.75% is collected in Marin County for transportation purposes and 0.25% is collected for open space purposes.

Transactional/Use Tax (Measure E). The City receives revenue from the 0.75% Measure E Transactions and Use Tax, approved by the City's voters in November 2013. The Measure E Transactions and Use Tax is effective through March 31, 2034, and supplanted a 0.50% transactions and use tax approved under Measure S by voters in 2005. The City currently plans, for budgeting purposes only, to allocate a portion of its Measure E tax revenues for public safety purposes, including to pay the Lease Payments supporting the 2018 Bonds. However, the City is not legally required to use any of its Measure E tax revenues for such purposes, and the City will not pledge or grant a security interest in the Measure E tax revenues to secure such Lease Payments. The Measure E tax is a general tax and the revenues from such tax are available for any purpose legally permitted.

The following table presents the sales tax rates currently applicable to taxable transactions in San Rafael. The State collects, administers and distributes the tax. The portions dedicated to the City of San Rafael are highlighted in bold.

Table 5
CITY OF SAN RAFAEL
Sales Tax Rates

State (General Fund)	5.00%
Local General Fund (Bradley-Burns)	**1.00**
Countywide Transportation Fund	0.25
County Mental Health/Welfare Districts	0.50
Public Safety Augmentation Fund	0.50
Total State-wide Tax	7.25%
Sonoma-Marin Train (SMART)	0.25%
Transportation Authority of Marin	0.50
Marin Parks, Open space and Farmland Preservation	0.25
San Rafael Transactions and Use Tax (Measure E)	**0.75**
Local Tax Subtotal	1.75%
Total Sales and Use Tax	9.00%

Sources: State Dept. of Tax and Fee Administration for State-wide sales tax rates; City of San Rafael for local sales tax rates.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The sales tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;

- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at http://www.boe.ca.gov/. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California Department of Tax and Fee Administration (CDTFA), which took over this function from the State Board of Equalization in July 2017. According to the CDTFA, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The CDTFA disburses 90% of the estimated base amount for each quarter to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (the fourth, clean-up payment) is distributed in conjunction with the first advance for the subsequent quarter. CDTFA provides to the City statements showing total collections, administrative costs, prior advances and the current advance with each quarterly clean-up payment.

The CDTFA receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

History of Taxable Transactions. A summary of historic taxable sales within the City during the past five years for which data is available is shown in the following table. Total taxable sales during calendar year 2015 in the City were reported to be $1,777,942,000, a 1.50% increase over the total taxable sales of $1,751,753,000 reported during calendar year 2014.

Table 6
CITY OF SAN RAFAEL
Taxable Transactions by Type of Business
For Calendar Years 2011 through 2015
(Dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	1,696	$1,234,514	2,805	$1,532,832
2013	1,793	1,336,922	2,920	1,660,492
2014	1,765	1,407,601	2,884	1,751,753
2015(1)	1,744	1,426,578	3,079	1,777,942
2016(2)	1,755	1,055,162	3,104	1,311,866

(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.
(2) Only three quarters available for 2016.
Source: State Department of Tax and Fee Administration. Taxable Sales in California (Sales & Use Tax).

Property Taxes

Property taxes represented the second largest source of General Fund revenue in fiscal year 2015-16 and the largest source in fiscal year 2016-17, and is projected by an independent third-party consultant to be the second largest source of General Fund revenue for fiscal year 2017-18. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City.

ERAF Shift Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund ("**ERAF**"), a shift that has resulted in diversion of City property taxes since fiscal year 1992-93. There can be no assurance that the State will not undertake future ERAF shifts, but the State's legal authority to do so is limited by Prop. 22. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Proposition 1A; Proposition 22."

Levy and Collection. Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively.

A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State of California and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Teeter Plan

Property taxes are recorded by the City as revenue when received in the fiscal year of levy because of the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the City and the County of Marin. The Teeter Plan authorized the auditor-controller of the County of Marin to allocate 100% of the secured property taxes billed, but not yet paid. The County of Marin remits property tax revenues to the City in three installments, as follows: (1) 55% remitted on December 15; (2) 40% remitted on April 15; and (3) 5% remitted on June 15.

Under the provisions of the Teeter Plan, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, participating local agencies located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies if the conditions established under the applicable county's Teeter Plan are met. However, such local agencies are no longer entitled to share in any penalties due on delinquent payments or in the interest which accrues on delinquent payments. The Teeter Plan is to remain in effect unless the Board of Supervisors of the County of Marin orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors has received a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating local agencies in the County, in which event the Board of Supervisors is required to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event that the Teeter Plan was terminated, the amount of the levy of *ad valorem* taxes in the City would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the City. The City is not aware of any plans by the County to discontinue the Teeter Plan.

So long as the Teeter Plan remains in effect with respect to the City, the City's receipt of revenues with respect to the levy of *ad valorem* property taxes on secured property will not be dependent upon actual collections of the *ad valorem* property taxes by the County.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

Assessed Valuation Information. Set forth below is a listing of the City's assessed valuations for the past five fiscal years.

Table 7
CITY OF SAN RAFAEL
Assessed Valuation
For Fiscal Year 2013-14 through 2017-18

	Local Secured	Utility	Unsecured	Total	% Change
2013-14	$9,939,469,670	$5,246,402	$402,261,887	$10,346,977,959	--
2014-15	10,471,724,630	5,246,402	414,275,471	10,891,246,503	5.3%
2015-16	11,100,791,102	5,246,402	398,759,673	11,504,797,177	5.6
2016-17	11,790,357,580	26,867,933(1)	423,305,303	12,240,530,816	6.4
2017-18	12,432,691,490	26,867,933	416,634,339	12,876,193,762	5.2

(1) The increase in utility value from fiscal year 2015-16 to 2016-17 is attributable to improvements owned by Pacific Gas & Electric.
Source: California Municipal Statistics, Inc. and Marin County Dept. of Finance.

Proposition 13 and Proposition 8 Property Value Adjustments. Proposition 13, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-76 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a "decline-in-value." As of the January 1st (lien date) each year, the Assessor must enroll either a property's Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a "Proposition 8 Value." "Proposition 8 values" are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

Historical Tax Rates. The following table shows historical tax rates in a typical tax rate area of the City (Tax Rate Area 8-000) for the past five fiscal years.

Table 8
CITY OF SAN RAFAEL
Typical Tax Rate per $100 Assessed Value (TRA 8-000)
Fiscal Years 2013-14 through 2017-18

	2013-14	2014-15	2015-16	2016-17	2017-18
General Tax Rate	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
San Rafael School District	0.0551	0.0474	0.0462	0.0743	0.0706
San Rafael High School District	0.0294	0.0273	0.0266	0.0502	0.0365
Marin Community College District	0.0204	0.0180	0.0165	0.0142	0.0338
Marin Healthcare District	N/A	N/A	0.0235	0.0093	0.0201
Total Tax Rate	$1.1049	$1.0927	$1.1128	$1.1480	$1.1610

Source: Willdan Financial Services for 2013-14 through 2016-17; California Municipal Statistics, Inc. for 2017-18.

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Major Property Taxpayers. The following table lists the top 20 local secured taxpayers in the City of San Rafael for fiscal year 2017-18.

Table 9
CITY OF SAN RAFAEL
Top 20 Local Secured Taxpayers
Fiscal Year 2017-18

Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total (1)
1. California Corporate Center Acquisition	Commercial	$ 261,000,911	2.10%
2. Northgate Mall Associates	Commercial	140,729,805	1.13
3. BRE Properties Inc.	Apartments	62,385,259	0.50
4. South Valley Apartments LLC	Commercial	53,045,451	0.43
5. BRE Piper MF 33 North CA LLC	Residential Development	46,565,701	0.37
6. Northbay Properties II	Apartments	45,976,145	0.37
7. Bay Apartment Communities Inc.	Apartments	43,612,049	0.35
8. Barbara Fasken 1995 Trust	Commercial	43,324,046	0.35
9. Marin Sanitary Service	Commercial	41,511,018	0.33
10. Target Corporation	Commercial	37,656,772	0.30
11. San Rafael Manor Inc.	Apartments	36,886,454	0.30
12. Mach II 4040 LLC	Commercial	36,140,694	0.29
13. Marin Hotel Owner LLC	Commercial	33,655,375	0.27
14. Sutter Health	Commercial	33,150,000	0.27
15. SFF MEC LLC	Commercial	32,743,437	0.26
16. Marin Newco LLC	Apartments	30,462,414	0.25
17. Civic Center Marin LLC	Commercial	28,574,064	0.23
18. Bel Albert Holdings LLC	Apartments	28,471,437	0.23
19. Francisco Boulevard Investors LLC	Commercial	27,670,669	0.22
20. Regency Center II Associates LP	Commercial	26,864,000	0.22
		$1,090,425,701	8.77%

(1) 2017-18 Local Secured Assessed Valuation: $12,432,691,490.
Source: California Municipal Statistics, Inc.

Other Taxes

Franchise Tax. The City's Franchise Tax (which is expected to generate $3,720,000, or 4.8% of General Fund revenues in fiscal year 2017-18) is imposed on the distribution and sales of public utility services. City Charter Article XIV provides regulations concerning franchised agencies and businesses. Currently, the City charges PG&E a franchise fee of 1% for gas and 0.50% for electricity. The local cable provider, Comcast, pays a 5% franchise fee on a quarterly basis to Marin Telecommunications Authority ("**MTA**"). Under a formation agreement, MTA deducts its budget cost from the received franchise fees and remits the net to each agency based on relative cable TV subscribers. Marin Sanitary Service collects and remits a 10% refuse fee for the privilege of being the sole waste hauler for the City. Under Article XIIIC of the California Constitution, franchise fees can only be increased by a vote of the City residents.

Business License Tax. The Business License Tax is expected to generate $2,859,000, approximately 3.7% of the City's fiscal year 2017-18 General Fund revenues. A Business License Tax is imposed on all business for the privilege of conducting business within the City. Most retail, wholesale, professional and service industries pay this tax on a gross receipts basis. A small portion of businesses pay a tax rate based upon the number of employees. Apartments pay a tax based upon the number of rental units. The Business License Tax rates are identified in Municipal Code Section 10.04, subject to indexing for inflation.

Transient Occupancy Tax. The City's Transient Occupancy Tax is expected to contribute $3,122,000, approximately 4.1% of the City's fiscal year 2017-18 General Fund revenues. A Transient Occupancy Tax is imposed on occupants of hotels, inns, motels and other lodging facilities unless such occupancy is for a period of 30 or more days. The tax is applied to the customer's lodging bill. Taxes are remitted to the City either monthly or quarterly for all approved lodging operations. The current Transient Occupancy tax rate is 10%. It was last modified in 1988.

Property Transfer Tax. The Property Transfer Tax (which is expected to generate 2.7% of General Fund revenues in fiscal year 2017-18) is imposed on any conveyance of real property when a change in deed is filed with the County. The City's Property Transfer Tax regulations are set forth in Municipal Code Section 3.22. The tax is imposed at the rate of $2 for each $1,000 or fractional part of $1,000 of value. Any increase in property transfer tax rates would require voter approval pursuant to Proposition 218.

State Budget and its Impact on the City

General. Information about the fiscal year 2017-18 State budget and other State budgets is regularly available at various State-maintained websites. An impartial analysis of the budget is posted by the Legislative Analyst Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. *The information referred to in this paragraph is prepared by the respective State agency maintaining each website and not by the City or Underwriter, and the City and Underwriter take no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.*

See "RISK FACTORS – Impact of State Budget on City Revenues."

Proposition 30 and Proposition 55. Approved in 2012, Proposition 30 ("**Proposition 30**") enacted temporary increases on high-income earners, raising income taxes by up to three percent on the wealthiest Californians for seven years and increased the state sales tax by $0.0025 for four years. The temporary personal income tax increases under Proposition 30 were scheduled to expire at the end of 2018; however, the voters approved Proposition 55 in the November 2016 statewide election, which extended these increases through 2030. The temporary increase in the state sales tax under Proposition 30 has expired.

Future State Budgets. The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. Decreases in such revenues may have an adverse impact on the City's ability to pay the 2018 Bonds.

Retirement System

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

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

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

The City has its own funding policy, adopted on June 17, 2013 and revised on September 8, 2015. Under that policy, the City is to use the actuarially determined periodic contribution determined by MCERA as the basis for its pension contributions. Under the policy, if the City is unable to fund the full amount of the ADC in a given year with current resources (i.e. without borrowing or using reserves), the City Manager and the Finance Director of the City are to identify a reasonable period to return to full funding. Under the policy, the City Manager is to ensure that any recommended changes to the defined benefit pension plan are fully consistent with all applicable federal and state regulations.

The City's contribution rates for the year ended June 30, 2017 were as follows:

	Employer Contribution Rate	Employee Contribution Rate	Benefit	Basis
City of San Rafael Misc Tier 1	50.40%	0.00-16.82%	2.7% @ 55	Highest Year
City of San Rafael Misc Tier 2	46.81	7.89-12.57%	2.0% @ 55	Average of Three Highest Years
City of San Rafael Fire Tier 1	75.67	0.00-19.79%	3.0% @ 55	Highest Year
City of San Rafael Fire Tier 2	72.59	11.34-17.69%	3.0% @ 55	Average Three Highest Years
City of San Rafael Safety Police Tier 1	74.79	00.00-19.79%	3.0% @ 55	Highest Year
City of San Rafael Safety Police Tier 2	75.53	11.34-17.69%	3.0% @ 55	Average Three Highest Years
PEPRA[1] Misc	42.11	9.18-10.18%	2.0% @ 62	Average Three Highest Years
PEPRA Safety	64.88	14.53%	2.7% @ 57	Average Three Highest Years

[1] Public Employees' Pension Reform Act
Source: City Financial Statements for the Year Ended June 30, 2017.

These rates were determined by MCERA, based on the actuarial valuation dated June 30, 2015. The actual rate of return on investments during that year was 4.99% on a market value basis net of investment expenses, as compared to the 7.25% assumption.

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to MCERA. Contributions to the plan from the City were $20,003,002 for the year ended June 30, 2017, based on a total payroll of $41,553,242, of which $32,885,135 represented the basis for the plan contributions. Of the total payroll subject to plan contributions, $1,305,530 is attributable to the San Rafael Sanitation District ("**SRSD**"), a component unit of the City.

Effective with the June 30, 2013 valuation, the Unfunded Actuarial Liability ("**UAL**") as of June 30, 2013 is being amortized over a closed 17-year period (15 years remaining as of June 30, 2015), except for the additional UAL attributable to the outstanding unfunded actuarial loss from 2009, which is being amortized over a separate closed period (currently 23 years).

Under Governmental Accounting Standards Board Statement Number 68 *"Accounting and Financial Reporting for Pensions*," the City's funding progress is expressed as the ratio of net position (market value of assets) to total pension liability. Information for the past three years is shown in the following table.

Table 10
City's Share of Net Pension Liability
Defined Benefit Pension Plan (Fire, Police, Miscellaneous)
(Dollars in thousands)

	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability	$677,754	$907,195	$900,629
Fiduciary Net Position (Assets)	603,500	764,872	733,574
Net Pension Liability	$74,254	$142,323	$167,055
Plan fiduciary net position as a percentage of the total pension liability	89.04%	84.31%	81.45%
Covered employee payroll	$31,429	$31,106	$32,126
Net Pension liability as a percentage of covered employee payroll	236.26%	457.54%	519.99%

Source: City Financial Statements for the Year Ended June 30, 2017. The fiscal year ended June 30, 2015 was the first year of implementation, therefore only three years are available.

In November 2017, MCERA voted to lower the investment return assumption used to determine its pension funding contributions from 7.25% to 7.00%. The new investment return assumption will begin to impact contribution rates in the 2018-19 fiscal year. MCERA has advised the City that, based on MCERA's estimates, the new investment return assumption will result in contribution rate increases of approximately 1% of covered payroll in fiscal year 2018-19.

While the City does not maintain a pension stabilization trust fund, it currently maintains approximately $2 million in an internal service fund for employee benefits. See "CITY FINANCIAL INFORMATION - Other Reserves - Internal Service Funds."

Public Agency Retirement System. The City also contributes to the Public Agency Retirement system ("**PARS**"), a defined contribution retirement plan, which provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's accounts are determined (instead of specifying the amount of benefits the individual is to receive).

All eligible non-represented employees of the City will become participants in PARS from the date they were hired. An eligible employee is any employee who, at any time during which the City maintains this plan, is not accruing a benefit under MCERA discussed above. As determined by PARS, each participating employee must contribute 3.75% of gross earnings to PARS. The City contributes an additional 3.75% of the employee's gross earnings.

During the fiscal year 2016-17, the City and employees each contributed $98,186. The total covered payroll of employees participating in PARS for the year ended June 30, 2017, was $2,618,290. The total payroll for the year was $41,553,242.

401(a) Tax Qualified Plan. In addition, the City participates in a 401(a) tax qualified plan for eligible executive management and mid-management employees, and elected officials. Under this plan, which was terminated effective August 3, 2015, the percent amount of contribution ranged from 3% to 4.6% of base salary of participating employees. During fiscal year 2015-16, and prior to the plan's termination, the City contributed $3,770 on behalf of these employees.

Other Post Employment Benefits ("OPEB")

Description of Postretirement Healthcare Benefits. The City provides certain health care benefits for retired employees and their spouses under a cost sharing defined benefit plan. Employees who meet the vesting criteria become eligible for these benefits if they receive a retirement benefit from the Marin County Employees' Retirement Association within 120 days of retirement from City employment. At June 30, 2017, 684 retirees and surviving spouses received post-employment health care benefits.

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017, and in particular Note 11 thereto, includes information about the City's postemployment healthcare liabilities and funding.

Actuarial Required Contribution and Assumptions. The City's annual required contribution ("**ARC**") with respect to the OPEB Plan was determined as part of a June 30, 2015 actuarial valuation, using the entry-age normal cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.50% investment rate of return and (b) 2.75% of general inflation increase, and (c) a healthcare trend of declining annual increases ranging from 6.70% in 2015 to 4.50% for the years starting 2021. In addition, the fixed dollar benefit amounts are assumed to be held flat in the future and the premium related benefits are assumed to increase with the healthcare trend rate.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

Since 2013, the City has maintained an irrevocable trust under the California Employers' Retiree Benefit Trust Fund (CERBT) for the purpose of funding post-retirement healthcare benefits. For the past five years, the City has fully funded its actuarially required contribution. As of June 30, 2017, the amount in the CERBT trust was $17,872,938.

Funding Policy. On September 18, 2017, the City Council adopted a policy for funding the City's OPEB obligations. Under that policy, the City's stated goal is to fully fund the amount of the actuarially determined contribution ("ADC") each year. (Under GASB 75, the term of art has changed from "actuarially required contribution" to "actuarially determined contribution.") In the event the City is unable to fund the full amount of the ADC in a given year without borrowing, the Finance Director and City Manager will identify a timeframe under which to return to full funding. Under the policy, a Pension-OPEB Subcommittee is to review the ADC each fiscal year, and recommend the level of funding to be considered by the City Council for adoption in the budget.

Reporting of OPEB Liability and Funded Status. Effective with the fiscal year ended June 30, 2017, the City implemented Governmental Accounting Board Statement Number 75 – *"Accounting and Financial Reporting for Postemployment Benefits Other than Pensions"* (GASB 75). Under GASB 75, the City's funding progress is expressed as the ratio of net position (market value of assets) to total OPEB liability. Because this was the first year of implementation, comparable historical information is unavailable.

Table 11
City's Net OPEB Liability
(Dollars in thousands)

	6/30/2017[1]
Total OPEB Liability	$49,543
Fiduciary Net OPEB Position	15,758
Net OPEB Liability	$33,785
Plan fiduciary net position as a percentage of the total OPEB liability	31.81%
Covered employee payroll	$31,106
Net OPEB Liability as a percentage of covered employee payroll	108.61%

[1] Under GASB 75, the June 30, 2017 accounting information presented here uses a June 30, 2016 measurement date.
Source: City Financial Statements for the Year Ended June 30, 2017.

Outstanding General Fund Debt and Lease Obligations

The City currently has outstanding General Fund debt and lease obligations described below. The City has never defaulted on the payment of principal of or interest on any of its indebtedness. The City has complied with all significant bond covenants relating to reserve and sinking fund requirements, proofs of insurance, and budgeted revenues and maintenance costs.

***2010 Taxable Pension Obligation Bonds**.* On July 1, 2010, the City issued 2010 Taxable Pension Obligation Bonds in the amount of $4,490,000 bearing interest at rates from 6.00% to 6.25%. The bonds mature on July 1, 2025. As of June 30, 2017, the outstanding principal amount was $4,390,000.

2012 Authority Lease Revenue Refunding Bonds. On August 7, 2012, the San Rafael Joint Powers Financing Authority issued 2012 Authority Lease Revenue Refunding Bonds in the amount of $6,750,000 bearing interest at rates from 2.00% to 4.00%. The bonds mature on April 1, 2033. As of June 30, 2017, the outstanding principal amount was $5,445,000.

2013 Pacific Gas and Electric Note Payable. On September 30, 2013, the City executed a note payable agreement with Pacific Gas and Electric ("**PG&E**") in the amount of $634,861, bearing no interest. Repayment of the loan commenced in December 2013, and is due monthly until paid in full in 2023. As of June 30, 2017, the outstanding principal amount was $303,323.

2018 Pacific Gas and Electric Note Payable. On or about September 5, 2017, the City executed a note payable agreement with PG&E in the amount of $1,178,813, bearing interest at 1% annually. Disbursement of the loan is expected in July 2019. Repayment of the loan is expected to commence in December 2020, and is due semiannually until paid in full in December 2027.

Jointly Governed Organizations

The City is a member of a number of joint powers authorities with respect to which the City is obligated to make annual payments, including debt service payments. See Note 12 to the City's June 30, 2017 audited financial statement, which is attached as Appendix C.

Direct and Overlapping Debt

Contained within the City are overlapping local agencies providing public services which have issued general obligation Certificates and other types of indebtedness. Direct and overlapping bonded indebtedness is shown in the following table.

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Table 12
CITY OF SAN RAFAEL
Statement of Direct and Overlapping Debt as of February 1, 2018

2017-18 Assessed Valuation: $12,876,193,762

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 2/1/18
Marin Community College District	17.302%	$ 53,647,446
San Rafael High School District	78.363	49,588,353
Tamalpais Union High School District	0.080	87,748
Dixie School District	66.114	10,922,568
Ross School District	1.528	281,137
Ross Valley School District	0.012	5,232
San Rafael School District	83.700	53,337,120
Marin Healthcare District	20.813	78,827,156
Marin Emergency Radio Authority Parcel Tax Obligations	17.277	5,701,410
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$252,398,170
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Marin County Certificates of Participation	17.277%	$15,184,674
Marin County Pension Obligation Bonds	17.277	15,640,868
Marin County Transit District General Fund Obligations	17.277	15,708
Marin Municipal Water District General Fund Obligations	22.022	16,289
Marin Community College District Certificates of Participation	17.302	418,853
San Rafael School District Certificates of Participation	83.700	2,741,175
City of San Rafael General Fund Obligations	**100.000**	**6,747,916**(1)(2)
City of San Rafael Pension Obligation Bonds	**100.000**	**4,185,000**
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$44,950,483
Less: City of San Rafael obligations supported by enterprise revenues		**5,445,000**
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$39,505,483
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000 %	$11,344,004
GROSS COMBINED TOTAL DEBT		$308,692,657(3)
NET COMBINED TOTAL DEBT		$303,247,657

Ratios to 2017-18 Assessed Valuation:
Total Overlapping Tax and Assessment Debt....................... 1.96%
Total Gross Direct Debt ($10,932,916) 0.08%
Total Net Direct Debt ($5,487,916)................................... 0.04%
Gross Combined Total Debt 2.40%
Net Combined Total Debt 2.36%

Ratios to Redevelopment Successor Agency Incremental Valuation ($2,831,146,323):
Total Overlapping Tax Increment Debt................................ 0.40%

(1) Excludes issue to be sold.
(2) Includes city's share of Marin Emergency Radio Authority refunding revenue bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Investment of City Funds

The City may invest moneys not immediately required for operations in a manner consistent with the City's Statement of Investment Policy (the "**Investment Policy**").

The Investment Policy. The Investment Policy, adopted by the City Council on August 7, 2017, covers all short-term operating funds and investment activities of the City. These funds are accounted for in the City's annual audit report and include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Funds and

Fiduciary Funds. The Investment Policy is adopted by resolution of the City Council annually. The management responsibility for the City's investment program is delegated annually by the City Council to the Treasurer pursuant to California Government Code Section 53607. The Treasurer may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members.

The Investment Policy establishes five objectives for City investment:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.

Specific Investment Restrictions. The City is governed by Sections 16429.1, 53600-53609 and 53630-53686 et seq. of the California Government Code, except that, pursuant to California Government Code Section 5903(e), proceeds of bonds and any moneys set aside or pledged to secure payment of bonds may be invested in securities or obligations described in the ordinance, resolution, indenture, agreement or other instrument providing for the issuance of the bonds. The City has further restricted the eligible types of securities and transactions to the following instruments (with further specific restrictions specified in the Investment Policy).

Recent Monthly Report. As of December 31, 2017, the City has invested funds as set forth in the table below.

Table 13
CITY OF SAN RAFAEL
Investment Portfolio as of December 31, 2017

Portfolio Assets		Percentage	Return
LAIF	$24,343,203	49.8%	1.18%
Cash	95,875	0.2	0.00
Treasury Securities	4,465,904	9.1	1.33
Agency Securities	14,476,033	29.6	1.28
Corporate Notes	4,040,998	8.3	1.34
Municipal	1,455,700	3.0	5.25
Total	**$ 48,877,714**		
Weighted Average Yield			**1.36%**

Source: City of San Rafael.

Employee Relations and Collective Bargaining

The employee associations that represent City employees are shown below. Pursuant to the City's Employee Relations Ordinance and the Meyers-Millias-Brown-Act, the City and the employee associations negotiate wages, hours and conditions of employment.

Table 14
City of San Rafael
Collective Bargaining Units

Employee Group	Employees	Contract Expiration Date
Service Employees International Union (SEIU)	134	6/30/2018
San Rafael Police Association (SRPA) (Police)	89	6/30/2018
Police Mid-Management	6	6/30/2018
Firefighters' Association	65	6/30/2018
Fire Chief Officers' Association	4	6/30/2018
SEIU – Childcare	46	10/31/2019
Association of Professional Employees (WCE)	10	6/30/2018
Local One – Confidential	9	6/30/2018

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIIIA of the State Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the 2010 Note), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Fresno County Superior Court, in *County of Orange v. Fresno County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Fresno County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the State Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit.

Articles XIIIC and XIIID of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "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 XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIIIC define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

Taxes. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City ("general taxes") require a majority vote; taxes for specific purposes ("special taxes"), even if deposited in the City's General Fund, require a two-thirds vote.

Property-Related Fees and Charges. Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs.

Reduction or Repeal of Taxes, Assessments, Fees and Charges. Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's ability to pay debt service on the 2018 Bonds could be adversely affected.

Burden of Proof. Article XIIIC provides that local government "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." Similarly, Article XIIID provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIIID.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIIIC and XIIID will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Impact on City's General Fund. The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

The approval requirements of Articles XIIIC and XIIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The City has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 22. Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Possible Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2018 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2018 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2018 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2018 Bonds. There can be no assurance that other considerations will not materialize in the future.

No Pledge of Taxes

General. The obligation of the City to pay the Lease Payments and Additional Rental does not constitute an obligation of the City for 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. The obligation of the City to pay Lease Payments and Additional Rental does not constitute a debt or indebtedness of the Authority, the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City is currently liable on other obligations payable from general revenues, which are described above under "CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations."

Limitations on Taxes and Fees

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIIIC and Article XIIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIIIC and Article XIIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIIC and Article XIIID of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIIIC and Article XIIID of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIIC and Article XIIID of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the City

The City has existing obligations payable from its General Fund. See "CITY FINANCIAL INFORMATION – Long-Term General Fund Obligations." The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the 2018 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments and Additional Rental, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

Default

Whenever any event of default referred to in the Lease happens and continues, the Authority is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a detailed description of available remedies in the case of a default under the Lease.

If a default occurs, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the 2018 Bonds or pay debt service on the 2018 Bonds.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Leased Property, the City's obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the 2018 Bonds as and when due. See "SECURITY FOR THE 2018 BONDS – Abatement" and "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Although the City is required under the Lease to maintain property and liability insurance with respect to the Leased Property, the required insurance coverage is subject to certain conditions and restrictions. See “SECURITY FOR THE 2018 BONDS – Property Insurance.”

In addition, the Authority is required to use the proceeds of rental interruption insurance maintained under the Lease to make debt service payments on the 2018 Bonds during any period of abatement. See “SECURITY FOR THE 2018 BONDS – Property Insurance.” However, there is no assurance that the Authority will receive proceeds of rental interruption insurance in time to make debt service payments on the 2018 Bonds when due.

No Debt Service Reserve Fund

The Authority will not fund a debt service reserve fund for the 2018 Bonds. If Revenues are insufficient for the Authority to pay debt service on the 2018 Bonds when due, no debt service reserve will be available under the Indenture for the Authority to make such payments.

Property Taxes

Levy and Collection. The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City’s property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments. Likewise, if the Teeter Plan were to be discontinued for the City, delinquencies in the payment of property taxes could have an adverse effect on the City’s ability to pay principal of and interest on the 2018 Bonds when due.

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.” Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

> *Proposition 8 Appeals*. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City's property tax revenues.

Sales Taxes

The Measure E sales and use tax is in addition to the sales or use tax levied statewide by the State. On November 6, 2012, State voters approved Proposition 30, which, among other things, increased the statewide tax rate by one quarter of one percent (increasing the statewide rate from 7.25% to 7.50%) for four years, effective January 1, 2013, through December 31, 2016; the tax increase was extended by 12 years on November 8, 2016, when State voter approved Proposition 55. Voters of the City or the County could also vote to increase sales tax rates. Future increases, if any, on sales tax rates could have an adverse effect on consumer spending decisions and consumption, resulting in a reduction of Measure E sales and use tax revenues.

With limited exceptions, the Measure E sales and use tax is imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the Measure E sales and use tax are imposed. In particular, future legislation could limit the type of internet-based transactions subject to the Measure E sales and use tax. Any such change or limitation could have an adverse impact on the revenues collected pursuant to the Measure E sales and use tax. In addition, the State could change its collection procedures and therefore affect the City's receipt of Measure E sales and use tax revenues. For a further description of the Measure E sales and use tax, see "CITY FINANCIAL INFORMATION - Sales Taxes."

The increasing use of the Internet to conduct electronic commerce may affect the levels of Measure E sales and use tax receipts. Internet sales of physical products by businesses located in the State, and Internet sales of physical products delivered to the State by businesses located outside of the State, are generally subject to the Measure E sales and use tax. It is possible, however, that some of these transactions may avoid taxation either through error or deliberate non-reporting, which could potentially reduce the amount of Measure E sales and use tax revenues.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Lease may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the 2018 Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondowner remedies contained in the Lease and the Indenture, the rights and obligations under the 2018 Bonds, the Lease 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; 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 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 2018 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.

The opinion to be delivered by Bond Counsel, concurrently with the issuance of the 2018 Bonds, will include a qualification that the rights of the owners of the 2018 Bonds and the enforceability of the 2018 Bonds and the Indenture, the Lease and the Site Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases. See "APPENDIX D — PROPOSED FORM OF OPINION OF BOND COUNSEL."

There is no deed of trust or mortgage securing the 2018 Bonds.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2018 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2018 Bonds were issued, as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Lease and the Indenture. Should such an event of taxability occur, the 2018 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Tax Cuts and Jobs Act

H.R. 1 of the 115th U.S. Congress, known as the "Tax Cuts and Jobs Act," was enacted into law on December 22, 2017 (Pub. L. No. 115-97, 131 Stat. 2054 (2017)) (the "Tax Act"). The Tax Act makes significant changes to many aspects of the Code. For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could adversely affect the assessed values of residences in the City. However, the City cannot predict the effect that the Tax Act may have on its finances.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2018 Bonds or, if a secondary market exists, that any 2018 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of 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.

Natural Calamities

General. From time to time, the City has been and could be subject to natural calamities, including, but not limited to, earthquake, flood or wildfire, that may adversely affect economic activity in the City, and which could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to the Leased Property, or that the City would have insurance or other resources available to make repairs to the Leased Property in order to make the Lease Payments under the Lease. See "- Abatement" above.

Seismic. Like most regions in California, the City is in an area of significant seismic activity. There are numerous earthquake faults near the City, including particularly the San Andreas and Hayward faults. The San Andreas fault runs along the Marin and Sonoma Coast through the Santa Cruz Mountains. The Hayward fault covers the hills on the east side of the San Francisco Bay and into San Pablo Bay, directly north and east of the City. Both can cause damaging earthquakes. Numerous other faults are capable of producing damaging earthquakes similar in magnitude to the 1989 Loma Prieta earthquake. Soils in lowland areas away from major faults may also be unable to support buildings during major earthquakes. Landslides are likely on hillsides during major earthquakes. Coastal areas are also at risk of tsunamis, generated from earthquakes on local faults or across the Pacific.

If there were to be an occurrence of severe seismic activity in the City, there could be substantial damage to and interference with the City's right to use and occupy all or a portion of the Leased Property, which could result in Lease Payments being subject to abatement. See "- Abatement" above. Damage resulting from such an event could have a material adverse effect on the City's financial condition as well, through unexpected recovery costs and reduced tax and other revenues.

The City is not required to obtain earthquake insurance for the Facility. See "SECURITY FOR THE 2018 BONDS - Property Insurance" above. Also see "THE LEASED PROPERTY" for information about the construction of the Leased Property.

Flood. Like most of California, the City is subject to unpredictable seasonal rainfall, with periods of intense and sustained precipitation occurring every few years. The extent of possible flooding in the City has been analyzed through Federal Emergency Management Agency ("**FEMA**") flood insurance studies. These studies show that inundation due to a 100-year flood (a flood that has a one percent probability of being equaled or exceeded in any given year) can occur in the Central San Rafael Basin (southern portions of Downtown San Rafael extending from the San Rafael Canal/Creek westward to E Street, south including portions of Gerstle Park; Woodland Avenue area extending into portions of the Bret Harte neighborhood); Southeast San Rafael (the Canal neighborhood and greater East San Rafael residential and commercial areas including Spinnaker Point, Kerner Boulevard, Andersen Drive), San Pedro Peninsula (low-lying residential neighborhoods north of the San Rafael Canal including Summit Avenue/Marina Vista and Mooring Road, Loch Lomond Marina and low-lying areas of Peacock Gap); and the Gallinas Creek Basin (east of U.S. Highway 101). The Leased Property is not located in the 100-year floodplain.

There are numerous water storage tanks in or near the City the failure of which in an earthquake or other calamity could cause inundation of portions of the City.

Sea Level Rise and Flooding

With frontage on San Francisco Bay, parts of the City are also vulnerable to inundation as a result in a rise in sea levels. Inundation, and the threat thereof, could have material impacts on the financial condition of the City. For example, the capital expense to the City of preventing flooding or adapting to rising sea levels, and even the assessment and study of, and planning and preparation for, rising sea levels, could run into the many millions of dollars. Inundation due to rising sea levels could also have a negative impact on the economy of the City generally. The City could experience the loss of material amounts of property tax, sales tax, transient occupancy tax and other sources of revenues.

The predictions for sea level rises vary. A report released by the San Francisco Bay Conservation Development Commission ("**BCDC**") in 2011 predicts sea levels in the Bay to rise 16 inches by 2050 and 55 inches by 2100. The State of California's Fourth Climate Change Assessment, released in 2017, estimates sea level rise or the year 2100 in the range of 14 inches to 94 inches (36 cm to 239 cm) with an additional very low probability, worst-case estimate that exceeds 108 inches (274 cm).

As part of the National Flood Insurance Program ("**NFIP**"), a federal program that enables property owners, businesses, and residents in participating communities to purchase flood insurance backed by the federal government, FEMA has recently revised Flood Insurance Rate Maps ("**FIRMs**") for San Francisco Bay Area communities. FIRMs identify areas that are subject to inundation during a flood having a 1% chance of occurrence in a given year (also known as a "base flood" or "100-year flood"). FEMA refers to an area that is at risk from a flood of this magnitude as a special flood hazard area ("**SFHA**"). FIRMs also identify areas that are subject to inundation during a flood having a 0.2% chance of occurrence in a given yea. FEMA refers to an area that is at risk from a flood of this magnitude as other areas of flood hazard ("OAFH"). The

City participates in the NFIP. On March 24, 2014, FEMA issued a Preliminary FIRM for the City (the "Preliminary FIRM"). Portions of the City are identified as a SFHA, and other portions of the City as OAFH. The Preliminary FIRM is available through FEMA's website at https://hazards.fema.gov/femaportal/prelimdownload/. FEMA maps coastal flood hazards based on existing shoreline characteristics, and wave and storm climatology at the time of the flood study. In accordance with current federal regulations, FEMA does not map flood hazards based on anticipated future sea levels or climate change.

The portions of the City within the two FEMA flood zones are near or border waterways and are typically, low-lying, former diked baylands and marshlands. The larger, more significant flood prone areas include: the Central San Rafael Basin (southern portions of Downtown San Rafael extending from the San Rafael Canal/Creek westward to E Street, south including portions of Gerstle Park; Woodland Avenue area extending into portions of the Bret Harte neighborhood); Southeast San Rafael (the Canal neighborhood and greater East San Rafael residential and commercial areas including Spinnaker Point, Kerner Boulevard, Andersen Drive), San Pedro Peninsula (low-lying residential neighborhoods north of the San Rafael Canal including Summit Avenue/Marina Vista and Mooring Road, Loch Lomond Marina and low-lying areas of Peacock Gap); and the Gallinas Creek Basin (east of U.S. Highway 101).

In January 2014, the Department of Community Development of the City released an informational white paper entitled "Climate Adaptation - Sea Level Rise" (the "**White Paper**"), which identifies a number of challenges and proposes possible actions to address the threat to the City of rising sea levels. The challenges include:

1. Assessment and long-term strategy planning for sea level adaptation cannot be done in isolation or be "piecemeal" in its approach. Yet there are no jurisdictional boundaries to the impacts of or planning for sea level rise in the San Francisco Bay.

2. Assessment and planning requires the involvement of multiple agencies. Given the complexity of this issue assessing and planning requires the participation, coordination and resources of a number of agencies. Other participating agencies would include, among others, County of Marin, BCDC, the State Regional Water Quality Control Board, FEMA, and US Army Corps of Engineers.

3. The number of stakeholders involved and effected is substantial. In the Central San Rafael Basin alone, there are thousands of property owners and business owners that are impacted by projected sea level rise, as well as the cost and implications of potential adaptation solutions. Public outreach and participation is critical.

4. Information on sea level rise continues to evolve which could impact long-range planning. For example, in the short-term, the long-awaited update of the FEMA FIRM maps will present new flood zone mapping information that may have broader area impacts and will likely result in higher insurance costs to effected property owners.

5. San Rafael has diverse shoreline and levee conditions that vary by neighborhood and area. So, a "one-size-fits-all" approach to long-term adaptation strategies is impossible. While an area-wide assessment is critical, the assessment must carefully look at and consider localized conditions and solutions.

6. City resources and funding are limited. At this time, there are no Public Works Department staff resources, nor is there an earmarked City budget to initiate the preparation of a

vulnerability assessment.

7. Long-term adaptation strategies will require trade-offs. Some of the adaptation strategies would have environmental implications that may be at-odds with current policies and priorities. For example, the retreat strategy that converts upland or seasonal marsh to tidal marsh could significantly impact private property rights, private view loss, and biological resources. Assessing the trade-offs will require the cooperation of and coordination with the appropriate stakeholders.

8. Long-term adaptation strategies will be costly. The cost of strategies such as "barriers" could be staggering. Even the raising of an earthen levee is extremely costly unless fill material is locally available. Planning the appropriate strategy for an area will need to consider cost in addition to effectiveness. While federal, state and other agency sources may be available to partially fund these strategies, the formation of assessment districts or other taxing measure will likely be necessary.

The White Paper suggests the following actions to consider and pursue:

1. Prioritize Preparation of a Vulnerability Assessment. The City may choose to investigate and determine Public Works Department staff resources needed to pursue next steps.

2. Investigate and Pursue Funding Sources for Staffing, Studies and Adaptation. The City may choose to monitor and pursue funding opportunities such as federal grants.

3. Engage in Countywide and Regional Efforts. The City may choose to identify County, State, and regional agencies with Bay and shoreline oversight; participate in coordinating a collective effort, partnership and/or assistance in preparation of a vulnerability assessment.

4. Identify Stakeholders and Initiate Outreach.

5. Continue to Monitor and Participate in Studies and Efforts Underway. These efforts include monitoring updates to FEMA FIRM Maps; participating in County of Marin Public Works Department Gallinas Creek Watershed Project; and monitoring and participating in BCDC Pilot Project for Priority Development Areas (PDA), among others.

6. Complete Tasks to Stay Current on Data and to be Eligible for Funding Opportunities.

7. Pursue Preparation of a Vulnerability Assessment. Assessment should include Identify long-term adaptation strategies, and identify tools for planning and localized implementation including adoption of a Bayfront Corridor zoning overlay or land use designation, and continued Canal dredging.

8. Commit to Long-Term Implementation and Programming. The City should identify tools for funding strategy implementation (e.g., including assessment districts or other taxing measures)

Despite the multiple studies, initiatives and construction described above, it remains possible that sea-level rise or other impacts of climate change or flooding from a major storm will affect the City. The City is unable to predict with certainty to what extent they will occur, when they may occur, and, if any such events occur, whether they will have a material adverse effect on the financial condition of the City.

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 2018 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, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2018 Bonds. 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 2018 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a 2018 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 (excluding bond houses and brokers) at which a 2018 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium are disregarded.

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 2018 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 2018 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2018 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2018 Bonds who purchase the 2018 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2018 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2018 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2018 Bonds under the federal individual alternative minimum tax.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2018 Bond (said term being the shorter of the 2018 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2018 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2018 Bond is amortized each year over the term to maturity of the 2018 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 2018 Bond premium is not deductible for federal income tax purposes. Owners of premium 2018 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 2018 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2018 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 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 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 Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the 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 2018 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2018 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 2018 Bonds, the ownership or disposition of the 2018 Bonds, or the amount, accrual or receipt of interest on, the 2018 Bonds.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2018 Bonds, the form of which is set forth in APPENDIX D." Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney.

LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under the Lease.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned its municipal bond rating of "AA" to the 2018 Bonds.

This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2018 Bonds may have an adverse effect on the market price or marketability of the 2018 Bonds.

CONTINUING DISCLOSURE

The City (on behalf of the Authority and itself) will covenant for the benefit of owners of the 2018 Bonds to provide certain financial information and operating data relating to the City (the "**Annual Report**"), by not later than nine months after the end of the City's fiscal year (presently June 30) and commencing April 1, 2018 with the report for the fiscal year ending June 30, 2017, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the purchaser of the 2018 Bonds in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in "APPENDIX E — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City and certain related entities, previously entered into certain disclosure undertakings under the Rule in connection with the issuance of long-term obligations. In connection with the preparation of this Official Statement, the City caused a review of filings available on the EMMA internet site maintained by the Municipal Securities Rulemaking Board covering the prior five years to be performed. Based on such review, the City believes that neither it nor its related entities have failed to comply in any material respect during the past five years with their prior continuing disclosure undertakings under the Rule. However, on January 17, 2018, Moody's Investors Service announced the downgrade of the insured financial strength rating of National Public Finance Guarantee Corporation ("NPFGC") to Baa2 from A3. The City, as the successor agency to the San Rafael Redevelopment Agency, has undertaken to provide notices of certain material events, including rating changes, promptly upon obtaining knowledge thereof, in connection with its Central San Rafael Redevelopment Project Tax Allocation Refunding Bonds, Series 2002, insured by NPFGC. The City learned of such downgrade on February 13, 2018, and filed a notice thereof on the same date.

Willdan Financial Services will serve as the initial dissemination agent with respect to the City's undertaking pursuant to the Rule with respect to the 2018 Bonds.

In addition, in connection with the designation of the Bonds as "Green Bonds," the City has agreed to file periodic updates regarding the expenditure of Bond proceeds on capital projects with the EMMA system. See APPENDIX G. These filings may, but need not, be included in the City's Annual Report.

MUNICIPAL ADVISOR

The City and the Authority have retained PFM Financial Advisors LLC, San Francisco, California, as municipal advisor (the "**Municipal Advisor**") in connection with the offering of the 2018 Bonds and the preparation of this Official Statement. The Municipal Advisor assisted in the preparation and review of this Official Statement. All financial and other information presented in this Official Statement has been provided by the City and the Authority from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the City, the Authority or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

Raymond James & Associates, Inc. (the "**Underwriter**"), has entered into a bond purchase agreement with the Authority and City under which the Underwriter will purchase the 2018 Bonds at a price of $53,598,799.33 (equal to the par amount of the 2018 Bonds, plus original issue premium of $8,248,396.60, and less an Underwriter's discount of $134,597.27).

The Underwriter will be obligated to take and pay for all of the 2018 Bonds if any are taken. The Underwriter intends to offer the 2018 Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

PROFESSIONAL SERVICES

In connection with the issuance of the 2018 Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the 2018 Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; Quint & Thimmig LLP, Larkspur, California, as Underwriter's counsel; PFM Financial Advisors LLC, as municipal advisor to the Authority and the City; and MUFG Union Bank, N.A., as Trustee.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the City Council of the City.

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY

By:/s/ *Jim Schutz*
Executive Director

CITY OF SAN RAFAEL

By:/s/ *Jim Schutz*
City Manager

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF SAN RAFAEL AND THE COUNTY OF MARIN

*The following information concerning the City of San Rafael (the **"City"**) and the County of Marin (the **"County"**) is included only for the purpose of supplying general information regarding the region. The 2018 Bonds are not a debt of the City, the County, the State of California (the "**State**") or any of its political subdivisions (other than the Authority), and none of the City, the County, the State or any of its political subdivisions (other than the Authority) is liable therefor.*

General

The City. The City is located 17 miles north of San Francisco in Marin County. Located along the shores of the San Francisco Bay, the City enjoys a mild climate year-round. As the County seat, the City is considered the trade, financial and industrial leader of the County. The City currently has an area of 22 square miles which includes 17 square miles of land and five square miles of water and tide lands. In addition to the City's cultural, park and recreational resources, there are other nearby attractions including Muir Woods, five State parks, San Francisco and its surrounding areas, Oakland and the Napa Valley wine country.

The County. The County was one of the original counties of California, created in 1850 at the time of statehood. The County has a total area of 828 miles and, as of January 1, 2017, a population of approximately 263,604. Geographically, the County forms a large, southward-facing peninsula, with the Pacific Ocean to the west, San Pablo Bay and San Francisco Bay to the east and, across the Golden Gate, the city of San Francisco to the south. Marin County's northern border is with Sonoma County. Most of the County's population resides on the eastern side, with a string of communities running along the Bay, from Sausalito to Tiburon to San Rafael to Corte Madera. The interior contains large areas of agricultural and open space; West Marin, through which California State Route 1 runs alongside the California coast, contains many small unincorporated communities dependent on agriculture and tourism for their economies.

Population

The following table lists population estimates for the City and County for the last five calendar years, as of January 1.

MARIN COUNTY
Population Estimates
Calendar Years 2013 through 2017

	2013	2014	2015	2016	2017
Belvedere	2,120	2,141	2,157	2,173	2,172
Corte Madera	9,306	9,397	9,434	9,480	9,486
Fairfax	7,438	7,496	7,525	7,560	7,571
Larkspur	12,123	12,258	12,426	12,551	12,572
Mill Valley	14,474	14,677	14,796	14,887	14,910
Novato	53,341	54,037	54,365	54,466	54,522
Ross	2,480	2,508	2,526	2,541	2,543
San Anselmo	12,625	12,776	12,862	12,929	12,937
San Rafael	**59,329**	**60,058**	**60,442**	**60,692**	**60,842**
Sausalito	7,118	7,202	7,274	7,314	7,327
Tiburon	9,260	9,381	9,453	9,497	9,508
Balance of County	67,806	68,623	69,045	69,060	69,214
Marin County Total	**257,420**	**260,554**	**262,305**	**263,150**	**263,604**

Source: State of California, Department of Finance, Demographic Research.

Employment

The City's major employers are set forth below:

CITY OF SAN RAFAEL
Major Employers
(As of June 30, 2017)

Employer	Employees
Kaiser Permanente	2,061
BioMarin	773
Autodesk Inc.	719
San Rafael City Schools	700
Dominican University of California	456
City of San Rafael	454
Wells Fargo Bank	310
Bradley Real Estate	280
Community Action Marin	255
Buckelew Programs	240
Total	6,248

Source: City of San Rafael.

The County's major employers are set forth below in alphabetized order.

COUNTY OF MARIN
Major Employers
(As of January 2018)

Employer Name	Location	Industry
Autodesk Inc	San Rafael	Computer Programming Services
Bio Marin Pharmaceutical	San Rafael	Laboratories-Research & Development
Bradley Real Estate	Belvedere Tibrn	Real Estate
Cagwin & Dorward Landscape	Novato	Landscape Contractors
California Alpine Club	Mill Valley	Clubs
College of Marin	Kentfield	Schools-Universities & Colleges Academic
Community Action Marin	San Rafael	Non-Profit Organizations
Corrections Dept	San Quentin	Government Offices-State
Extreme Pizza	San Rafael	Restaurant Management
Glassdoor Inc	Mill Valley	Website Hosting
Kaiser Foundation Hospital	Novato	Hospitals
Kaiser Permanente Sn Rafael MD	San Rafael	Hospitals
Kreines & Kreines Inc	Belvedere Tibrn	Environmental & Ecological Services
Macy's	Corte Madera	Department Stores
Managed Health Network Inc	San Rafael	Mental Health Services
Marin General Hospital	Greenbrae	Hospitals
Marin Independent Journal	San Rafael	Newspapers (Publishers/Mfrs)
Nordstrom	Corte Madera	Department Stores
Nordstrom Restaurant	Corte Madera	Restaurants-Cyber Cafes
Rh	Corte Madera	Furniture-Dealers-Retail
San Rafael Human Resources	San Rafael	Government Offices-City, Village & Twp
Sutter Care At Home	Novato	Hospices
Township Building Svc Inc	Novato	Janitor Service
University of Ca Co-Op Ext	Novato	Schools-Universities & Colleges Academic
Westamerica Bancorporation	San Rafael	Holding Companies (Bank)

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2018 1st Edition.

The unemployment rate in the County was 2.3% in December 2017, up from a revised 2.2% in November 2017, and below the year-ago estimate of 2.9%. This compares with an unadjusted unemployment rate of 4.2% for California and 3.9% for the nation during the same period.

The following table shows civilian labor force data and wage and salary employment data for Marin County for the years 2012 through 2016.

SAN RAFAEL METROPOLITAN DIVISION
(Marin County)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2016 Benchmark)

	2012	2013	2014	2015	2016
Civilian Labor Force (1)	136,900	138,400	139,100	139,500	141,100
Employment	128,300	131,200	133,100	134,600	136,500
Unemployment	8,600	7,100	5,900	4,900	4,600
Unemployment Rate	6.3%	5.2%	4.3%	3.5%	3.2%
Wage and Salary Employment: (2)					
Agriculture	400	400	400	300	300
Mining and Logging	100	0	0	0	0
Construction	5,200	5,700	6,100	6,500	6,700
Manufacturing	2,400	2,900	3,500	4,000	4,500
Wholesale Trade	2,600	2,700	2,800	3,000	3,000
Retail Trade	13,600	13,900	14,300	14,200	14,400
Trans., Warehousing, Utilities	1,100	1,200	1,300	1,200	1,200
Information	2,800	2,800	2,600	2,600	2,600
Financial Activities	7,200	7,300	6,800	6,400	6,300
Professional and Business Services	18,600	18,700	18,200	18,300	18,500
Educational and Health Services	18,500	19,400	19,700	20,100	20,600
Leisure and Hospitality	13,200	14,400	15,100	15,400	16,000
Other Services	5,000	5,200	5,200	5,200	5,400
Federal Government	800	800	700	700	700
State Government	2,000	1,900	1,800	1,900	2,000
Local Government	12,700	12,700	12,900	12,800	12,900
Total All Industries (3)	106,200	110,000	111,300	112,600	115,100

(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.

Construction Activity

Provided below are the building permits and valuations for the City and the County for calendar years 2012 through 2016.

CITY OF SAN RAFAEL
Total Building Permit Valuations
Calendar Years 2012 through 2016
(dollars in thousands)

	2012	2013	2014	2015	2016
Permit Valuation					
New Single-family	$195.0	$2,640.7	$767.2	$20,904.6	$6,838.8
New Multi-family	0.0	0.0	3,612.8	0.0	5,890.7
Res. Alterations/Additions	12,469.7	23,587.5	34,216.4	30,875.9	26,167.0
Total Residential	12,664.7	26,228.2	38,596.4	51,780.5	38,896.5
New Commercial	25,264.0	814.8	53,946.5	417.5	2,120.7
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	0.0	152.4	81.7	366.0	15,891.0
Com. Alterations/Additions	11,762.2	32,361.1	39,257.1	51,772.4	19,382.7
Total Nonresidential	37,026.2	33,328.3	93,285.3	52,555.9	37,394.4
New Dwelling Units					
Single Family	2	4	1	38	9
Multiple Family	0	0	45	0	15
TOTAL	2	4	46	38	24

Source: Construction Industry Research Board, Building Permit Summary

MARIN COUNTY
Total Building Permit Valuations
Calendar Years 2012 through 2016
(dollars in thousands)

	2012	2013	2014	2015	2016
Permit Valuation					
New Single-family	$36,152.7	$59,423.2	$71,460.1	$75,834.5	$62,804.2
New Multi-family	4,927.5	33,397.4	14,069.1	2,426.4	7,869.8
Res. Alterations/Additions	132,762.3	152,065.1	203,375.3	203,754.7	194,743.0
Total Residential	173,842.5	244,885.7	288,904.5	282,015.6	
New Commercial		26,262.6	76,204.6	10,439.6	17,564.0
New Industrial	2,124.0	154.9	0.0	0.0	0.0
New Other	11,275.0	15,072.2	24,104.2	42,614.2	54,015.5
Com. Alterations/Additions	243,054.4	93,745.8	85,972.9	497,343.6	69,437.8
Total Nonresidential	304,555.9	135,235.5	186,281.7	550,397.4	141,017.3
New Dwelling Units					
Single Family	67	90	112	121	89
Multiple Family	50	212	76	20	17
TOTAL	117	302	188	141	106

Source: Construction Industry Research Board, Building Permit Summary

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 total effective buying income for the City, the County, the State and the United States for the period 2012 through 2016:

CITY OF SAN RAFAEL
Effective Buying Income
2012 through 2016

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2012	City of San Rafael	$2,060,978	$57,110
	Marin County	11,615,363	69,129
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of San Rafael	$1,789,048	$48,994
	Marin County	10,035,970	61,675
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of San Rafael	$2,219,178	$63,367
	Marin County	11,636,360	74,420
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City of San Rafael	$2,412,075	$67,267
	Marin County	12,751,873	80,192
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	City of San Rafael	$2,519,848	$67,355
	Marin County	13,506,516	80,608
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043

Source: *The Nielsen Company (US), Inc.*

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 not yet available for calendar year 2016 or 2017.

Total taxable sales during the first three quarters of calendar year 2016 in the City were reported to be $1.311 billion, a 0.22% decrease over the total taxable sales of $1.314 billion reported during the first three quarters of calendar year 2015.

CITY OF SAN RAFAEL
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	**Taxable Transactions**	**Number of Permits**	**Taxable Transactions**
2011	1,584	$1,151,941	2,713	$1,431,727
2012	1,696	1,234,514	2,805	1,532,832
2013	1,793	1,336,922	2,920	1,660,492
2014	1,765	1,407,601	2,884	1,751,753
2015(1)	1,744	1,426,578	3,079	1,777,942

(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: California Department of Tax and Fee Administration, Taxable Sales in California (Sales & Use Tax).

Total taxable sales reported during the first three quarters of calendar year 2016 in the County were $3.714 billion, a 0.85% increase over the total taxable sales of $3.683 billion reported during the first three quarters of calendar year 2015.

COUNTY OF MARIN
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	**Taxable Transactions**	**Number of Permits**	**Taxable Transactions**
2011	5,993	$3,134,270	9,906	$4,049,869
2012	6,207	3,357,884	10,057	4,333,600
2013	6,550	3,605,108	10,414	4,664,920
2014	6,457	3,745,315	10,272	4,861,801
2015(1)	4,836	3,836,153	10,958	5,046,316

(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: California Department of Tax and Fee Administration, Taxable Sales in California (Sales & Use Tax).

Transportation

The County's transportation facilities are excellent, with U.S. Highway 101 and U.S. Interstate Highway 580 providing easy access to the rest of California. Buses provide commuter service to San Francisco and other Bay Area cities, and commuter ferries embark for San Francisco from the communities of Sausalito, Tiburon, and Larkspur. The San Francisco International Airport, located 30 miles from the City, provides air passenger service to points worldwide. Sonoma-Marin Area Transit (SMART), which is a new passenger rail service in Sonoma and Marin Counties, officially opened on August 25, 2017.

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Site Lease, Lease Agreement and the Indenture of Trust relating to the Bonds. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

DEFINITIONS

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

"Additional Rental Payments" means the amounts of additional rental which are payable by the City under the Lease Agreement.

"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 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 Fund" means the fund by that name established and held by the Trustee under the Indenture.

"Bond Year" means each twelve-month period extending from June 2 in one calendar year to June 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, 2018.

"Closing Date" means the date of original issuance of the Bonds.

"Defeasance Securities" means securities described in clause (o) of the definition of Permitted Investments.

"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 Authority as its official fiscal year period.

"Lease Payment Date" means, with respect to any Interest Payment Date, the Business Day immediately preceding such Interest Payment Date.

"Lease Payments" means the amounts payable by the City under the Lease Agreement as rental for the Leased Property, including any prepayment thereof and including any amounts payable upon a delinquency in the payment thereof, but excluding Additional Rental Payments.

"Leased Property" means the real property described in Appendix A to the Lease, together with all improvements and facilities at any time situated thereon.

"Net Proceeds" means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

"Owner", when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Bond registration books of the Trustee.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under Article V of the Lease; (b) the Site Lease, the Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

"Permitted Investments" means any of the following:

(a) U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.

(b) Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality, corporation, or government-sponsored enterprise (GSE).

(c) U.S. dollar denominated debt obligations of a multilateral organization of governments for which the United States government is a participant, shareholder, and/or voting member with minimum ratings of AA-/Aa3 (or the equivalent) or A-1/P-1 (or the equivalent) by any one rating agency, including but not limited to: the Inter-American Development Bank, International Bank for Reconstruction & Development, African Development Bank, Asian Development Bank, and the International Finance Corporation.

(d) Interest-bearing deposit accounts (including certificates of deposit placed by a third party pursuant to a separate agreement between the Authority and the Trustee), time deposits, bank deposit products, trust funds, trust accounts, interest bearing deposits, overnight bank deposits or interest bearing money market accounts in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee or any of its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or secured at all times by collateral described in (a) or (b) above.

(e) Negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution with minimum ratings of A-/A3 (or the equivalent) or A-1/P-1 (or the equivalent) by any one rating agency.

(f) U.S. dollar denominated commercial paper rated “A-1+” or better by S&P.

(g) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.

(h) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory, custodial, transfer agency or other management services, and for which they receive and retain a fee for such services. Money market funds permitted under this paragraph shall not include funds with a floating net asset value.

(i) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).

(j) Obligations issued by any corporation organized and operating within the United States of America, which obligations are rated A or better by S&P.

(k) Bonds or notes issued by any state or municipality which are rated A or better by S&P.

(l) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event either of such ratings at any time falls below A.

(m) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(n) The California Asset Management Program.

(o) Defeasance securities include (i) U.S. Treasury obligations and obligations guaranteed by the U.S. Government, including but not limited to: Treasury bills, bonds, notes, and STRIPS; Resolution Funding Corporation (“REFCORP”) Interest STRIPS; and United States Agency for International Development (“US AID”) guaranteed notes (including stripped securities) provided that any US AID security shall mature at least 5 business days prior to any cash flow or escrow requirement and (ii) non-callable senior debt obligations, participations, or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality, corporation, or government-sponsored enterprise, including but not limited to: Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, Tennessee Valley Authority, and Resolution Funding Corporation. Interest and principal strips are eligible investments provided that the securities are stripped from non-callable senior debt obligations, participations, or other instruments as described above in this section (b).

"Project" means the acquisition and construction of certain public safety improvements consisting generally of a new public safety center and two replacement fire stations.

"Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Revenues" means: (a) all amounts received by the Authority or the Trustee under or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts payable by the City under the Lease Agreement in respect of additional debt, and (ii) any Additional Rental Payments; and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

"Site Lease Payment" means the amount of up-front rent which is payable under the Site Lease in consideration of the lease of the Leased Property by the City to the Authority thereunder.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business, its successors and assigns.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Trustee" means MUFG Union Bank, N.A., a national banking association organized and existing under the laws of United States of America, or its successor or successors, as Trustee under the Indenture as provided the Indenture.

SITE LEASE

Under the Site Lease, the City agrees to lease the Leased Property to the Authority in consideration of the payment by the Authority of the Site Lease Payment on the Closing Date. The Authority agrees to cause the full amount of the Site Lease Payment to be raised from the proceeds of the Bonds, and to cause the Site Lease Payment to be deposited with the Trustee in accordance with the Indenture for the purpose of financing the acquisition and construction of the Project. No further rent payment is due by the Authority for the lease of the Leased Property under the Site Lease. The Site Lease is for a term commencing on the Closing Date and extending to the date on which no Bonds remain outstanding under the Indenture, but not later than ten years following the final stated maturity date of the Bonds. In the event of any release or substitution of property under the Lease Agreement as described below, the description of the property leased under the Site Lease will be modified accordingly.

LEASE AGREEMENT

Lease of Leased Property; Term

Under the Lease Agreement, the Authority leases the Leased Property back to the City. The Lease Agreement is for a term commencing on the Closing Date and extending to the date on which no Bonds remain outstanding under the Indenture, but not later than ten years following the final stated maturity date of the Bonds.

Lease Payments

The City agrees to pay semiannual Lease Payments, subject to abatement as described below, as the rental for the use and occupancy of the Leased Property. On each Lease Payment Date, the City is obligated to deposit with the Trustee the full amount of the Lease Payments coming due and payable on the next Interest Payment Date, to the extent required to be paid by the City under the Lease Agreement. Any amount held in the Bond Fund, the Interest Account or the Principal Account on any Lease Payment Date (other than amounts specifically required to be credited to the prepayment of Lease Payments), will be credited towards the Lease Payment then coming due and payable.

Source of Payments

The Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Lease Agreement relating to abatement.

Budget and Appropriation

The City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease Agreement and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. Such covenant constitutes a duty imposed by law and each and every public official of the City is required to take all actions 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 Lease Agreement agreed to be carried out and performed by the City.

Abatement of Lease Payments

The Lease Payments will be abated under the Lease Agreement during any period in which there is substantial interference with the City's use and occupancy of all or any portion of the Leased Property, including interference due to: (a) damage or destruction of the Leased Property in whole or in part or (b) eminent domain proceedings with respect to the Leased Property or any portion thereof.

The amount of such abatement is required to be an amount determined by the City, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property. In the event of such abatement, the City will have no obligation to pay abated Lease Payments and there is no remedy available to the Trustee or the Bond Owners arising from such abatement. Notwithstanding the foregoing, there will be no abatement of Lease Payments to the extent that Net Proceeds are available to pay Lease Payments which would otherwise be abated under the Lease, such proceeds being constituted a special fund for the payment of the Lease Payments.

Option to Prepay

The City has the option to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of $5,000, from any source of legally available funds, on any Interest Payment Date on which the Bonds are subject to optional redemption, at a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such Interest Payment Date, and together with a prepayment premium equal to the premium (if any) required to be paid on the resulting redemption of Bonds under the Indenture.

Security Deposit

Notwithstanding any other provision of the Lease, the City may on any date secure the payment of the Lease Payments allocable to the Leased Property in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Indenture, is either:

(a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or

(b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, (which opinion must be 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 such Lease Payments when due under the Lease Agreement, as the City instructs at the time of said deposit.

If the City makes a security deposit under the Lease Agreement with respect to all unpaid Lease Payments, and notwithstanding the provisions of the Lease Agreement, (a) the Term of the Lease will continue, (b) all obligations of the City under the Lease, and all security provided by the Lease for said Lease Payments, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of said Lease Payments from such security deposit, and (c) under the Lease Agreement, title to the Leased Property will vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said security deposit constitutes a special fund for the payment of Lease Payments in accordance with the provisions of the Lease.

Substitution of Property

The City has the option at any time and from time to time during the term of the Lease Agreement to substitute other land, facilities or improvements (the “Substitute Property”) for the Leased Property or portion thereof (the “Former Property”) provided that the City must satisfy all of the requirements set forth in the Lease Agreement, including the following:

(a) No Event of Default has occurred and is continuing.

(b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Marin County Recorder sufficient memorialization of, an amendment to the Lease Agreement which that the legal description of the Substitute Property to the Lease Agreement and deletes therefrom the legal description of the Former Property, and has filed and caused to be recorded corresponding amendments to the Site Lease and Assignment Agreement.

(c) The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.

(d) The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City.

(e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement.

(f) The City has filed with the Authority and the Trustee a written certificate of the City or other written evidencing stating that the useful life of the Substitute Property at least extends to the final maturity date of the Bonds, that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement.

(g) The City has mailed written notice of such substitution to each rating agency which then maintains a rating on the Bonds.

Following the date on which all of the foregoing conditions precedent to such substitution are satisfied, the term of the Lease Agreement ceases with respect to the Former Property and continues with respect to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City will not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution.

Release of Property

The City has the option at any time and from time to time during the term of the Lease Agreement to release any portion of the Leased Property from the Lease Agreement (the "Released Property") provided that the City must satisfy all of the requirements set forth in the Lease Agreement, including the following:

(a) No Event of Default has occurred and is continuing.

(b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Marin County Recorder sufficient memorialization of an amendment of the Site Lease and the Assignment Agreement which removes the Released Property from the Site Lease, the Assignment Agreement and the Lease.

(c) The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to the Lease Agreement following such release is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to the Lease Agreement following such release is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement.

(d) The City has mailed written notice of such release to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Authority and the City will execute, deliver and cause to be recorded all documents required to discharge the Site Lease, the Lease Agreement and the Assignment Agreement of record against the Released Property.

Maintenance, Utilities, Taxes and Modifications

The City, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Authority has no responsibility for such maintenance. The City is also obligated to pay all taxes and assessments charged to the Leased Property. The City has the right under the Lease Agreement to remodel the Leased Property and to make additions, modifications and improvements to the Leased Property, provided that any such additions, modifications and improvements to the Leased Property are of a value which is not substantially less than such value of the Leased Property immediately prior to making such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or to remain against the Leased Property, except that the City has the right in good faith to contest any such lien.

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained the following insurance against risk of physical damage to the Leased Property and other risks for the protection of the Bond Owners, the Authority and the Trustee:

Liability and Property Damage Insurance. The City shall maintain or cause to be maintained throughout the Term of the Lease, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance 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. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

If any insurance required pursuant to this provision is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

Casualty Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance may, at the sole discretion of the City, include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the City. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance 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 the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Trustee, as assignee of the Authority under the Assignment Agreement, has the right to receive all Net Proceeds. As provided in the Indenture, the Trustee will deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied as set forth in "Damage, Destruction and Eminent Domain" below.

Rental Interruption Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the insurance required by the casualty insurance described above in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. Such insurance 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 the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Recordation and Title Insurance. On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and the Lease, or a memorandum thereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Marin County Recorder, and (b) obtain a CLTA title insurance policy insuring the City's leasehold estate in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy must be deposited with the Trustee in the Bond Fund to be credited towards the prepayment of the remaining Lease Payments under the Lease.

Damage, Destruction and Eminent Domain

Application of Net Proceeds. The Trustee, as assignee of the Authority under the Assignment Agreement, has the right to receive all Net Proceeds. As provided in the Indenture, the Trustee will deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied as set forth in the Indenture.

Termination or Abatement Due to Eminent Domain If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Authority shall deposit or cause to be deposited with the Trustee the Net Proceeds therefrom, which the Trustee shall deposit in the Insurance and Condemnation Fund and which shall be applied and disbursed by the Trustee as follows:

(a) If the City has not given written notice to the Trustee, within 90 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds.

(bi) If the City has given written notice to the Trustee, within 90 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority.

Abatement Due to Damage or Destruction. The Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is addressed above) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. The abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease continues in full force and effect and the City waives any right to terminate the Lease by virtue of any such damage and destruction.

Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction shall be paid to the Trustee and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within 90 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds. Notwithstanding the foregoing sentence, however, if the Leased Property is damaged or destroyed in full, the Net Proceeds of such insurance shall be used by the City to rebuild or replace the Leased Property if such proceeds are not sufficient to redeem Outstanding Bonds equal in aggregate principal amount to the unpaid Lease Payments allocable to the Leased Property. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City.

Assignment; Subleases

The Authority has assigned certain of its rights under the Lease Agreement to the Trustee under the Assignment Agreement. The City may not assign any of its rights in the Lease Agreement. The City may sublease all or a portion of the Leased Property, but only under the conditions contained in the Lease Agreement, including the condition that such sublease not cause the interest component of the Lease Payments to become subject to federal or State of California personal income taxes.

Amendment of Lease Agreement

The Authority and the City may at any time amend or modify any of the provisions of the Lease Agreement, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the outstanding Bonds; or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- to add to the covenants and agreements of the City contained in the Lease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City;

- to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, to conform to the original intention of the City and the Authority;

- to modify, amend or supplement the Lease Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;

- to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein;

- to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, (B) the City has obtained and filed with the Trustee an appraisal showing that the appraised value of the Leased Property is at least equal to the aggregate principal amount of the outstanding Bonds and all such other bonds, notes, leases or other obligations, and (C) the City has filed with the Trustee written evidence that the amendments made under this clause will not of themselves cause a reduction or withdrawal of any rating then assigned to the Bonds;

- in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

Events of Default

Each of the following constitutes an Event of Default under and as defined in the Lease Agreement:

- Failure by the City to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified therein.

- Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement, other than as referred to in the preceding paragraph, 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 in the reasonable opinion of the City 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 City commences to cure such failure within such 30-day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

- Certain events relating to the insolvency or bankruptcy of the City.

Remedies on Default

Upon the occurrence and continuance of any Event of Default, the Authority has the right to terminate the Lease Agreement or, with or without such termination, re-enter, take possession of and re-let the Leased Property. When the Authority does not elect to terminate the Lease Agreement, the City remains liable to pay all Lease Payments as they come due and liable for damages resulting from such Event of Default. Any amounts collected by the Authority from the reletting of the Leased Property will be credited towards the unpaid Lease Payments. Any net proceeds of re-leasing or other disposition of the Leased Property are required to be applied as set forth in the Indenture. Under the Assignment Agreement, the Authority assigns all of its rights with respect to remedies in an Event of Default to the Trustee, so that all such remedies will be exercised by the Trustee and the Bond Owners as provided in the Indenture.

The Trustee has no right to accelerate Lease Payments and, due to the governmental nature of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of re-entry, repossession or re-letting.

INDENTURE OF TRUST

Establishment of Funds and Accounts; Flow of Funds

Costs of Issuance Fund. A portion of the proceeds of the Bonds will be deposited by the Trustee in the Costs of Issuance Fund on the Closing Date. The moneys in the Costs of Issuance Fund will be disbursed to pay costs of issuing the Bonds and other related financing costs from time to time upon receipt of written requests of the Authority. On June 1, 2018, or at the earlier written request of the Authority, all amounts remaining in the Costs of Issuance Fund will be transferred by the Trustee to the Interest Account and the Trustee will thereupon close the Costs of Issuance Fund.

Establishment and Application of Project Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Project Fund" into which the Trustee will deposit a portion of the proceeds of sale of the Bonds. Except as otherwise provided in the Indenture, moneys in the Project Fund will be used solely for the payment of the Project Costs.

Site Lease Payment. Proceeds representing the Site Lease Payment will be transferred to the Trustee for application pursuant to the Indenture, to be applied for the purpose of financing the acquisition and construction of the Project.

Bond Fund; Deposit and Transfer of Amounts Therein. All Revenues will be deposited by the Trustee in the Bond Fund promptly upon receipt. On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) *Interest Account.* The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on such date on all outstanding Bonds. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it comes due and payable, including accrued interest on any Bonds redeemed prior to maturity.

(b) *Principal Account.* The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit therein to equal the principal amount of the Bonds maturing on such date. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at the maturity thereof.

Redemption Fund. The Trustee will establish and maintain a Redemption Fund, amounts in which will be used and withdrawn by the Trustee solely for the purpose of paying the principal of on the Bonds to be redeemed. At any time prior to giving notice of redemption of any such Bonds, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority directs, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Investment of Funds; Determination of Value of Investments

All moneys in any of the funds or accounts held by the Trustee under the Indenture will be invested by the Trustee solely in Permitted Investments as directed by the Authority or an Agent of the Authority in advance of the making of such investments. In the absence of any such direction of the Authority, the Trustee will invest any such moneys in Permitted Investments consisting of money market funds. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture will be deposited in the Bond Fund. For the purpose of determining the amount in any fund or account established under the Indenture, the value of investments credited to such fund will be calculated at the market value thereof, in accordance with the procedures specified in the Indenture.

Covenants of the Authority

Payment of Bonds. The Authority will punctually pay or cause to be paid the principal of and interest and premium (if any) on the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, but only out of the Revenues and other assets pledged for such payment as provided in the Indenture. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the 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.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries will be made of all transactions relating to the proceeds of the Bonds, and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority and the City, during regular business hours and upon reasonable prior notice.

No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Revenues in whole or in part.

Tax Covenants. The Authority will not take, nor permit nor suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of any of the Bonds which would cause any of the Bonds to be "arbitrage bonds" or "private activity bonds" within the meaning of the Tax Code. The Authority will cause to be calculated annually all excess investment earnings which are required to be rebated to the United States of America under the Tax Code, and will cause all required amounts to be rebated from payments made by the City for such purpose under the Lease Agreement.

Lease Agreement. The Trustee will promptly collect all amounts due from the City pursuant to the Lease Agreement. Subject to the provisions of the Indenture governing the enforcement of remedies upon the occurrence of an Event of Default, the Trustee is required to enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease Agreement.

Amendment of Indenture

The Indenture may be modified or amended at any time by a supplemental indenture with the prior written consents of the Owners of a majority in aggregate principal amount of the Bonds then outstanding. No such modification or amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

The Indenture may also be modified or amended at any time by a supplemental indenture, without the consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

- To add to the covenants and agreements of the Authority contained in the Indenture, 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 therein reserved to or conferred upon the Authority.

- To cure any ambiguity, inconsistency or omission in the Indenture, or correct any defective provision in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, so long as 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.

- 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 or any similar federal statute at any time in effect.

- To modify, amend or supplement the Indenture so as to cause interest on the Bonds to remain excludable from gross income under the Tax Code.

- to facilitate the issuance of additional obligations of the City under the Lease Agreement. See “LEASE AGREEMENT – Amendment of Lease Agreement” above.

Events of Default

Events of Default Defined. The following events constitute events of default under the Indenture:

- 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.

- Failure to pay any installment of interest on the Bonds when due.

- Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this 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 shall 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.

- The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

- The occurrence and continuation of any Event of Default under and as defined in the Lease Agreement. See "LEASE AGREEMENT - Events of Default" above.

Remedies. Upon the occurrence and during the continuance of any 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 the Trustee shall:

- upon notice in writing to the Authority and the City, and subject to receipt of satisfactory indemnity, declare the principal of all of the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately (provided that no such acceleration will have the effect of accelerating the City's obligations under the Lease Agreement, as more fully described above), or

- enforce any rights of the Trustee under or with respect to the Indenture.

The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall 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.

Application of Revenues and Other Funds After Default. If an Event of Default has occurred and is continuing, all 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 as follows and in the following order:

(1) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(2) 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 is not 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; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which 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 available amount is not 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.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless:

- such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;

- the Owners of a majority in aggregate principal amount of all the Bonds then outstanding have requested the Trustee in writing to exercise its powers under the Indenture;

- said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

- the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee; and

- 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.

Discharge of Indenture

The Authority may pay and discharge the indebtedness on any or all of the outstanding Bonds in any one or more of the following ways:

- by paying or causing to be paid the principal of and interest on the Bonds, as and when the same become due and payable;

- by irrevocably depositing with the Trustee, in trust, at or before maturity, cash and/or non-callable Defeasance Securities which, together with the investment earnings to be received thereon, have been verified by an independent accountant to be sufficient to pay or redeem such Bonds when and as the same become due and payable; or

- by delivering to the Trustee, for cancellation by it, all of such Bonds.

Upon such payment or delivery, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other obligations of the Authority under the Indenture with respect to such Bonds, will cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose. Any funds thereafter held by the Trustee, which are not required for said purposes, will be paid over to the Authority.

APPENDIX C

FISCAL YEAR 2016-17 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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SAN RAFAEL
THE CITY WITH A MISSION

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2017

San Rafael Corporate Center

SAN RAFAEL

THE CITY WITH A MISSION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2017

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

Prepared by the Finance Department of the City of San Rafael

SAN RAFAEL

THE CITY WITH A MISSION

City Hall

INTRODUCTORY SECTION

SAN RAFAEL

THE CITY WITH A MISSION

CITY OF SAN RAFAEL, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2017

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CITY OF SAN RAFAEL, CALIFORNIA

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For the Year Ended June 30, 2017

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STATISTICAL SECTION

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STATISTICAL SECTION (Continued)

Demographic and Economic Information:

Operating Information:

October 12, 2017

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

The Comprehensive Annual Financial Report ("CAFR") of the City of San Rafael ("City") for the year ended June 30, 2017, is hereby submitted as required by local ordinances, state statutes and bond covenants. This financial report has been prepared in conformance with Generally Accepted Accounting Principles as promulgated by the Governmental Accounting Standards Board and includes the report of the independent certified public accounting firm, Maze and Associates Accountancy Corporation, which has issued an unqualified, or "clean" opinion on the City's financial statements for the fiscal year ended June 30, 2017.

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

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

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

REPORTING ENTITY – PROFILE OF THE GOVERNMENT

The City of San Rafael is located 17 miles north of San Francisco in Marin County. Protected by its Mediterranean like setting along the shores of the San Francisco Bay, the City enjoys a mild climate year round. As the County seat, San Rafael is considered the commercial, financial, cultural and civic hub of Marin County. Abundant recreational facilities are available in and around the City. The City's park and recreational resources include 19 city parks, 393 acres of developed parkland, city and county open space, and China Camp State Park. San Rafael is close to other attractions, including the Golden Gate Bridge, Muir Woods, Point Reyes National Seashore, Mount Tamalpais, multiple state parks, San Francisco, Oakland and the Sonoma and Napa wine country.

In 1874, the City of San Rafael became the first incorporated city in the county, later becoming a charter city in 1913 by vote of City residents. The City Council comprises five members; four are elected at-large to four-year terms while the mayor is elected separately to a four-year term. The City's land area is 22 square miles, including seventeen square miles of land and 5 of water and tidelands. San Rafael's population on January 1, 2017 was 61,187, an increase of 0.1% from the January 1, 2016 population of 60,582 .

Downtown San Rafael is the location of many community events, including the Thursday night Farmers Market Festivals six months out of the year, Second Friday Art Walks, the Twilight Criterium Bike Race, Mill Valley Film Festival, Winter Wonderland/Parade of Lights, and now one of 14 state Cultural Arts Districts. San Rafael is also the heart of the County's cultural activities with venues such as the Marin Center, which presents numerous ballets, concerts, speaking engagements as well as the award winning Marin County Fair; the Falkirk Cultural Center, providing art exhibits and children's programming; the Christopher B. Smith Film Center, and a host of other diverse dining and entertainment venues. The City is also home to the distinguished Dominican University of California.

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

The City and California Municipal Finance Authority compose the San Rafael Joint Powers Financing Authority, originally established by the City and former Redevelopment

Agency for the purpose of financing redevelopment and other projects. The San Rafael Sanitation District is a discretely presented component unit of the City of San Rafael and is presented independent of City financial information. For a further explanation of these entities, refer to Note 1 – Summary of Significant Accounting Policies in the Financial Section of the CAFR.

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

Fiscal year 2016-2017 marks the first year of implementation of Governmental Accounting Standards Board Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The purpose of this reporting requirement is to improve the decision-making usefulness of information in financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense, much as GASB 68 provided a similar approach for defined benefit pension obligations. The net OPEB liability of $33.8 million reported as of June 30, 2017, is based on the most recent actuarial valuation as of June 30, 2015. The City's implementation of this new requirement is one year early, in order to increase transparency and achieve parity with the reporting methodology used for defined benefit pensions.

The City's net pension liability under GASB 68 reported as of June 30, 2017 is based on the latest available GASB 67/68 report prepared by the Marin County Employees Retirement Association (MCERA), which was prepared as of June 30, 2016. The next annual report is anticipated to be completed within the upcoming 30 days. The City is aware of factors that may have an impact on the future measurement of the net pension liability. For example, the investment returns of 11.73% for the fiscal year ended June 30, 2017 well exceeded the target of 7.25%. In addition, the MCERA Board is scheduled to consider a reduction in the discount rate in the preparation of its next actuarial valuation, as of June 30, 2017. The City does not expect these factors to result in a net material difference in the measurement of its net pension obligation of $167.1 million reported in this year's financial reports.

During fiscal year 2016-2017, the City made significant progress towards improving our essential facilities. Building from over a decade of community efforts to address San Rafael's aging essential public safety facilities, the Essential Facilities project includes a total of seven projects recommended for either replacement or renovation, including a new public safety center across the street from City Hall. These new buildings will be seismically-safe and provide modern facilities for our firefighters, police officers, paramedics and dispatchers. They will include an upgraded dispatch and communications center, and a new classroom and training tower for emergency preparedness. Construction for both Fire Station 57, located at 3530 Civic Center Drive, and Fire Station 52, located at 210 3rd Street, began in June 2017 and are expected to be completed in the summer of 2018. The Public Safety Center demolition work is underway, and construction of the building will begin within the next few months.

ECONOMIC FACTORS

The City has a diversified economic base, which includes an assortment of high-tech, financial, service-based, entertainment and industrial businesses. Downtown San Rafael provides a mix of restaurants, retail shops and financial institutions. The City's varied economic base is reflected in its property tax base, which is 71% residential, 19% commercial, 4% institutional, 6% unsecured and others. The top 50 sales tax producers provide 72% of overall sales tax revenues.

The California economy continues to recover from the recession. Although the 4.9% unemployment rate remains above the national average of 4.4%, it continues on a path towards convergence with the national average. Personal income has rebounded over the past few years, and the State continues to prosper from the flow of capital into the technology companies who are attracted to California. Over the past year, State revenues have lagged behind expectations. The recent surge in the stock market has breathed new life into the revenue forecast; however, capital gains are the State's most volatile and unpredictable revenue source.

Notwithstanding the State's $10.1 billion in projected reserves, the Governor's revised budget for the upcoming year includes a $400 million deficit and major challenges persist. The "wall of debt", which when pension and retiree medical liabilities are considered, reaches into the hundreds of billions of dollars.

Locally, the 3.0% Marin County unemployment rate is among the lowest in the State. According to the Marin Economic Forum, the County added 4,000 payroll jobs and gained approximately 250 payroll businesses in 2016. Real personal income is projected to grow at an average rate of 2.5% over the next few years after inflation, and Marin County's taxable sales per capita are the third highest in the State. Marin County median home prices are over $1.3 million and continue to rise, while the recovery of commercial real estate has led to average rents increasing to $2.80 per square foot.

Demographic Data

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

- Economic development organizations in San Rafael include the San Rafael Chamber of Commerce, Downtown Business Improvement District, and the Marin Economic Forum.
- Marin County's top 10 employers include Kaiser Permanente, Marin General Hospital, BioMarin Pharmaceutical, Autodesk, Dominican University of California, Bradley Real Estate, Novato Community Hospital, Wells Fargo, FICO, and W Bradley Electric.
- Major shopping areas, as measured in available retail square footage, include the Downtown corridor (938,000 aggregate), Northgate Mall (725,000), Montecito Center (130,000) and Northgate One (113,900).
- The top three sales tax categories in 2016 for San Rafael were: 1. Autos and Transportation (33.1%), 2. General Consumer Goods (20%), and 3. Building and Construction (18.8%).
- Several hotels and motels support tourism activity, led by a combined 235 rooms in the Embassy Suites and Four Points Sheraton. Citywide, the total number of hotel rooms is 787.
- Establishing and maintaining affordable residential housing for sale and lease continues to be a challenge both in San Rafael and throughout Marin County. Rents for one-bedroom apartments range from $2,300 to $2,700, while two bedroom apartments go for $3,000 to $3,600. The median home value in San Rafael is $955,000.

Recent growth and economic vibrancy:

- San Rafael ranked No. 3 on Milken Institute Best-Performing Cities Index. This index provides an objective benchmark for examining the underlying factors and identifying unique characteristics of economic growth in metropolitan areas. The index uses metrics such as job creation, wage gains, and technology developments to evaluate the relative growth of metropolitan areas. California secured six of the Top 25 spots among large metros, led by four metros in the San Francisco Bay Area. Additionally, two Bay Area metros were in the Top 10 of small metros. San Rafael ranks fourth in one-year high-tech GDP growth and concentration and has maintained the fastest five-year high-tech growth. Five-year high-tech GDP growth was 67 percent greater than the national average. Key strengths highlighted included our educated workforce and cluster of biotech employers.
- San Rafael ranked No. 3 on the SMU National Center for Arts Research Vibrancy Index the overall index is composed of three dimensions: supply, demand, and government support. Supply is assessed by the total number of arts providers in the community, including the number of arts and culture organizations and employees, independent artists, and entertainment firms. Demand is gauged by the total

nonprofit arts dollars in the community, including program revenue, contributed revenue, total expenses, and total compensation. Lastly, the level of government support is based on state and federal arts dollars and grants.

- San Rafael served as the host city and basecamp for production of the Netflix Paramount Television Series 13 Reasons Why bringing in over $130,000 in transient occupancy tax dollars and permitting fees.
- San Rafael welcomed Sonoma Marin Area Rail Transit Service in August 2017 and San Rafael is the most population destination on the commuter rail service line. Construction of the Larkspur extension which will complete the southern end of the commuter rail line is set to commence in Fall 2017.
- Vacancy rates are maintaining all-time lows for retail and office space and industrial space in San Rafael. Asking rents have increased throughout all market types.
- Andy's Market relocated to the new Loch Lomond Marina Village Development.

FINANCIAL INFORMATION

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

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

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

ACKNOWLEDGMENTS

The preparation of this City-wide document would not have been possible without the assistance of each of the City's departments. In addition, Finance support staff Helena Muñoz, Karen Landesman and Whitney Fry, led by Accounting Manager Van Bach were key to the timely issuance of this report. We believe this document meets the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting requirements, and will be submitting it to the GFOA to determine its eligibility. If accepted, this will mark the sixth consecutive year for which the City received the award.

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

Respectfully submitted,

Jim Schutz
City Manager

Mark Moses
Finance Director

SAN RAFAEL

THE CITY WITH A MISSION

MISSION STATEMENT

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

VISION STATEMENT

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

January 1996

SAN RAFAEL

THE CITY WITH A MISSION

City Council and Staff

City Council

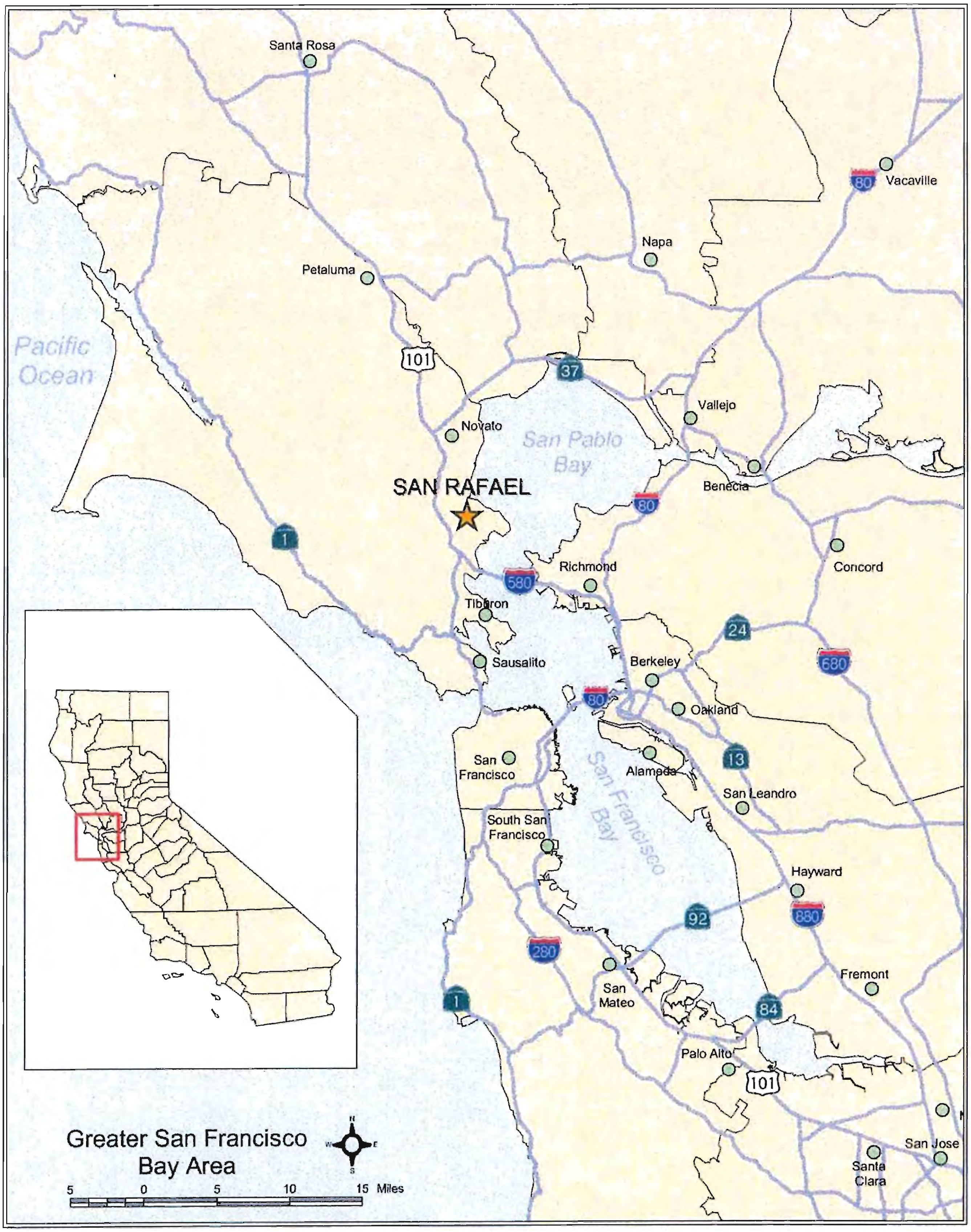
Gary O. Phillips, Mayor
Maribeth Bushey, Vice Mayor
Andrew McCullough, Councilmember
Kate Colin, Councilmember
John Gamblin, Councilmember

Elected Officials

Rob Epstein, City Attorney
Esther Beirne, City Clerk

Executive Team

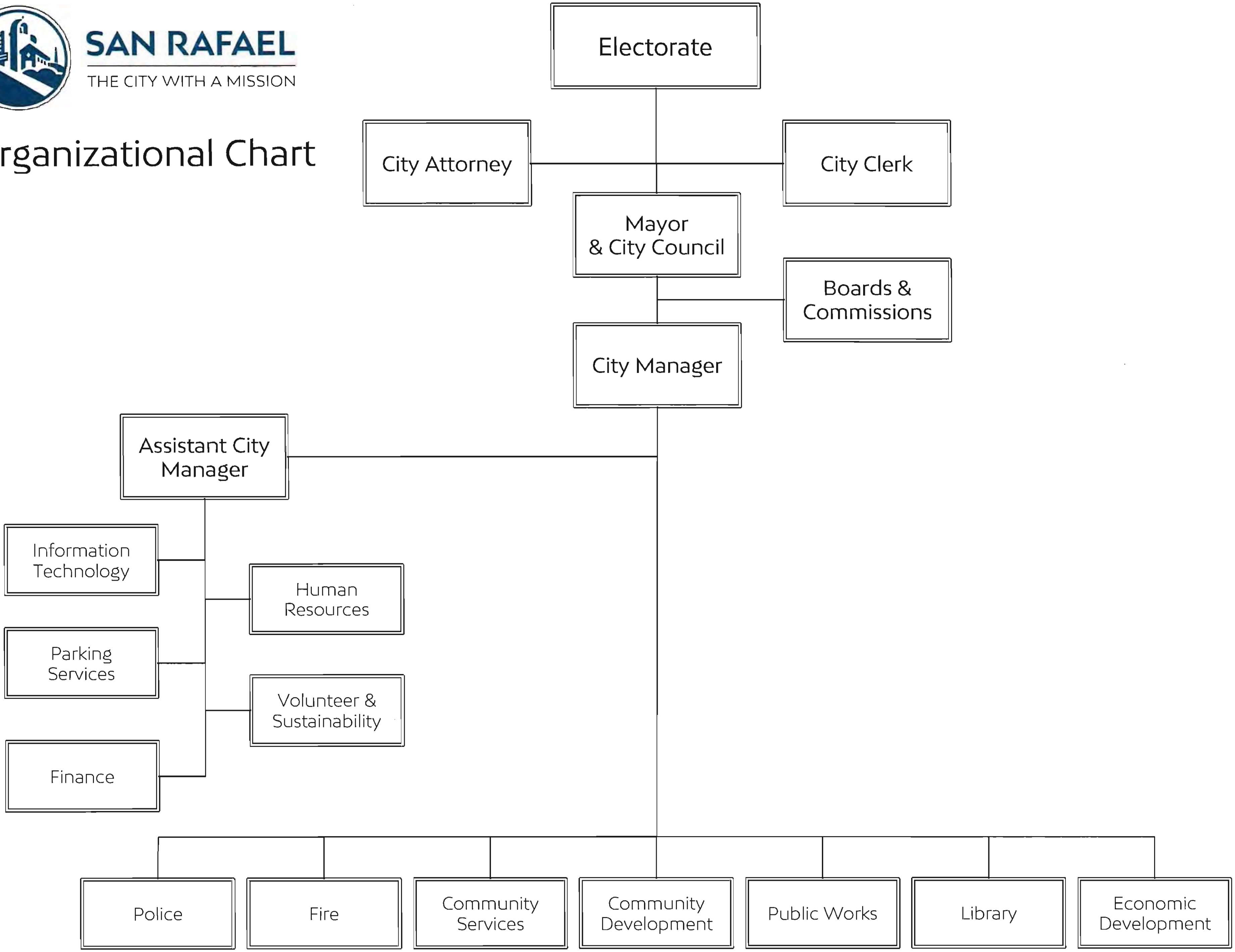
Jim Schutz, City Manager
Cristine Alilovich, Assistant City Manager
Diana Bishop, Chief of Police
Stacey Peterson, Human Resources Director
Chris Gray, Fire Chief
Sarah Houghton, Library Director
Paul Jensen, Community Development Director
Bill Guerin, Public Works Director
Deborah Younkin, Interim Community Services Director
Mark Moses, Finance Director
Doris Toy, District Manager/Engineer-SRSD



Location Map

SAN RAFAEL
THE CITY WITH A MISSION

Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Rafael

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Royal Ground Coffee Shop 4th and B Street

FINANCIAL SECTION

SAN RAFAEL

THE CITY WITH A MISSION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of San Rafael, 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 San Rafael (City), California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of the San Rafael Sanitation District, which represents 19%, 35%, and 15%, respective, of the assets, net position, and revenues of the entity-wide reporting entity. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the San Rafael Sanitation District, is based solely on the report of these auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinions, based on our audit and the report of other auditors, 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, the aggregate remaining fund information and the discretely presented component unit of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statement during the year ended June 30, 2017 that had material effects on the financial statements, as discussed in Note 1 to the financial statements:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The emphasis of this matter does not constitute a modification to our opinion.

Other Matters

Required Supplementary Information

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

Other Information

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

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
September 28, 2017

SAN RAFAEL

THE CITY WITH A MISSION

This analysis of the City of San Rafael's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the basic financial statements and the accompanying notes to those basic financial statements.

FINANCIAL HIGHLIGHTS

***Government-wide*:**

In the fiscal year ended June 30, 2017, the City of San Rafael implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Oher Than Pensions*. The implementation of this pronouncement required a prior period adjustment and reduced the City's net position as of July 1, 2016, by $20.6 million, of which $20.3 million was for governmental activities and $0.3 million was for business-type activities.

- *Net Position* – The assets of the City exceeded its liabilities as of June 30, 2017 by $125.6 million.

- *Activities* – During the fiscal year the City's total revenues of $102.7 were greater than expenses of $98.0 million for governmental and business-type activities.

- *Changes in Net Position* – The City's total net position increased by $4.7 million in fiscal year 2016-2017 as compared to the adjusted net position of the previous year. Net position of governmental activities increased by $4.1 million, while net position of the business-type activities increase by $556 thousand.

Fund Level:

- *Governmental Funds* – As of the close of fiscal year 2016-2017, the City's governmental funds reported combined ending fund balances of $46.1 million, a decrease of $4.1 million from fund balance of the prior year. Of this total amount, $0.5 million is nonspendable, $25.8 million is restricted, $3.5 million is committed, $15.0 million is assigned, and $1.3 million is unassigned.
- Governmental fund revenues were $97.8 million, a decrease of $2.8 million from the previous fiscal year. The decrease is attributable to a number of one-time revenues that occurred during the previous year coupled with a slowdown in sales tax-related revenues and third party emergency transport services billings. Aside from these items, the City experienced modest to moderate growth in revenues.
- Governmental fund expenditures increased by $4.2 million to $102.7 million, from $98.5 million in the prior year, due primarily to public safety infrastructure and other capital improvement program expenditures.
- Enterprise fund operating revenue grew slightly by $57 thousand to $5.3 million. Enterprise operating expenditures totaled $3.8 million, a decrease of $0.8 million over the previous year. The expenditure decrease was attributable primarily to the pension-related accounting adjustments in the parking fund.

OVERVIEW OF FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report is composed of the following:

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

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

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

Government-wide Financial Statements

The government-wide financial statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables, and other interfund activity have been eliminated as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

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

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

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

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

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

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

Fund Financial Statements and Major Component Unit Financial Statements

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

The fund financial statements provide detailed information about each of the City's most significant funds called major funds. The concept of major funds and the determination of the major funds were established in the Governmental Accounting Standards Board Statement No. 34. Each major fund is presented individually with all non-major funds summarized and presented in a single column. Further detail on the non-major funds is presented on pages 114 through 144 of this report.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial capacity.

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

The City has twenty-nine governmental funds, of which four are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's four major funds are: the General Fund, Traffic and Housing Mitigation, Gas Tax and Essential Facilities Capital Projects. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 28 through 32 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 114 through 133 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 35 through 37 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City acts as an agent on behalf of others, holding amounts collected, and disbursing them as directed or required. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Agency Funds Statement of Changes in Assets and Liabilities. The City's fiduciary funds include a private purpose trust fund to account for activities of the City of San Rafael Successor Agency and an agency fund that accounts for resources held by the City in a custodial capacity for the Pt. San Pedro Road Assessment District. Information for the fiduciary funds can be found on pages 41 through 42 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 95 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. One section includes budgetary comparison statements for the major funds (general, gas tax, traffic and housing mitigation, and essential facilities capital projects). The other section is a schedule of funding progress for the Marin County Employees' Retirement System. All budgeted positions that are filled by either full-time or permanent part-time employees (working seventy-five percent of full-time equivalent) are eligible to participate in this system. Required supplementary information can be found on pages 99 through 108 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position is one measurement of the City's financial position. During this fiscal year, the net position of the City was $115.5 million from Governmental Activities and $10.1 million from Business-type Activities, for a total of $125.6 million. This represents an increase of $4.7 million from the prior year net position.

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2017 and 2016:

Summary of Net Position
(in thousands)

	Governmental Activities		Increase	Business-Type Activities		Increase
	2017	2016	(Decrease)	2017	2016	(Decrease)
Current and other assets	$83,145	$86,543	($3,398)	$3,267	$3,050	$217
Capital assets	199,506	194,086	5,420	16,444	16,699	(255)
Total assets	282,651	280,629	2,022	19,711	19,749	(38)
Deferred outflows (Notes 9 and 11)	76,869	57,287	19,582	2,394	1,939	455
Current and other liabilities	12,923	11,843	1,080	432	500	(68)
Noncurrent liabilities	209,678	161,643	48,035	10,882	10,259	623
Total liabilities	222,601	173,486	49,115	11,314	10,759	555
Deferred inflows (Notes 9 and 11)	21,403	32,710	(11,307)	693	1,107	(414)
Net Position:						
Net investment in capital assets	199,203	193,707	5,496	10,969	10,958	11
Restricted	29,225	31,287	(2,062)	0	0	0
Unrestricted	(112,913)	(93,274)	(19,639)	(872)	(1,136)	264
Change due to implementation of GASB 75 (See Note 1Q)		(20,340)	20,340		(280)	280
Total net position	$115,515	$111,380	$4,135	$10,097	$9,542	$555

Current Governmental assets decreased by $3.4 million, primarily due to the use of funds set aside for public safety facility construction and improvements. The $5.4 million increase in Capital assets reflects this use of resources. Current and other liabilities increased by approximately $1.1 million, primarily due to an increase in accounts payable due to a higher level of construction activity. Noncurrent governmental liabilities increased by $48.0 million, mostly attributable to the increase in net pension and OPEB liabilities (Notes 9 and 11). Of this amount, $20.3 million is attributable to prior year OPEB liabilities. These liabilities are incorporated into the restated net position of the previous year.

The net position in business-type activities reflects the fiscal activity of the Parking Services program and increased by $555 thousand from the previous year. The $623 thousand increase in noncurrent liabilities is driven by the increase in net pension and OPEB liabilities, although this is partially offset by the $280 thousand restatement of net position prompted by the first year implementation of GASB 75. Increases to deferred outflows and decreases to deferred inflows under the reporting requirements of GASB 68 and GASB 75 offset the liability increase, thus contributing to the positive impact on net position.

At June 30, 2017, the largest portion of net position in the amount of $210.2 million consisted of the City's investment in capital assets net of related debt. This component represents the total amount of funds required to acquire capital assets less any related debt used for such acquisition that is still outstanding. The City uses these assets to provide services to residents. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Therefore, debt service payments are funded from other sources available to the City.

A portion of the City's net position, $29.2 million, is subject to external restrictions, and their use is determined by those restrictions whether legal or by covenant. The remaining portion, unrestricted negative $113.8 million, represents the extent to which the net investment in capital assets and restricted net position exceed total assets.

Net Position as of 6/30/2017
Total = $ 125,612 (in thousands)

Invested in Capital Assets (net)	$210,172
Restricted	29,225
Unrestricted	(113,785)
Total Net Position	$125,612

Statement of Activities - Governmental

The following is the condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2017 and 2016:

Summary of Changes in Net Position
(in thousands)

	Governmental Activities		Increase
	2017	2016	(Decrease)
REVENUES			
Program revenues:			
Charges for services	$17,282	$21,310	($4,028)
Operating grants and contributions	3,965	4,678	(713)
Capital grants and contributions	1,703	1,471	232
Total program revenues	22,950	27,459	(4,509)
General revenues:			
Property taxes	23,343	19,999	3,344
Sales taxes	31,819	34,348	(2,529)
Paramedic tax	5,486	4,226	1,260
Transient occupancy tax	2,985	3,063	(78)
Franchise tax	3,611	3,418	193
Business license tax	2,860	2,825	35
Other taxes	1,739	3,465	(1,726)
Investment earnings	211	300	(89)
Miscellaneous	2,449	1,387	1,062
Total general revenues	74,503	73,031	1,472
TOTAL REVENUES	97,453	100,490	(3,037)
EXPENSES			
General government	10,996	12,953	(1,957)
Public safety	44,367	55,400	(11,033)
Public works and parks	19,846	22,929	(3,083)
Community/economic development	4,243	4,307	(64)
Culture and recreation	14,131	15,027	(896)
Interest on long-term debt	271	277	(6)
TOTAL EXPENSES	93,854	110,893	(17,039)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	3,599	(10,403)	14,002
Transfers in	536	449	87
Net Change in Net Position	4,135	(9,954)	14,089
Beginning Net Position	111,380	141,674	(30,294)
Change due to implementation of GASB 75 (See Note 1Q)		(20,340)	20,340
Ending Net Position, June 30	$115,515	$111,380	$4,135

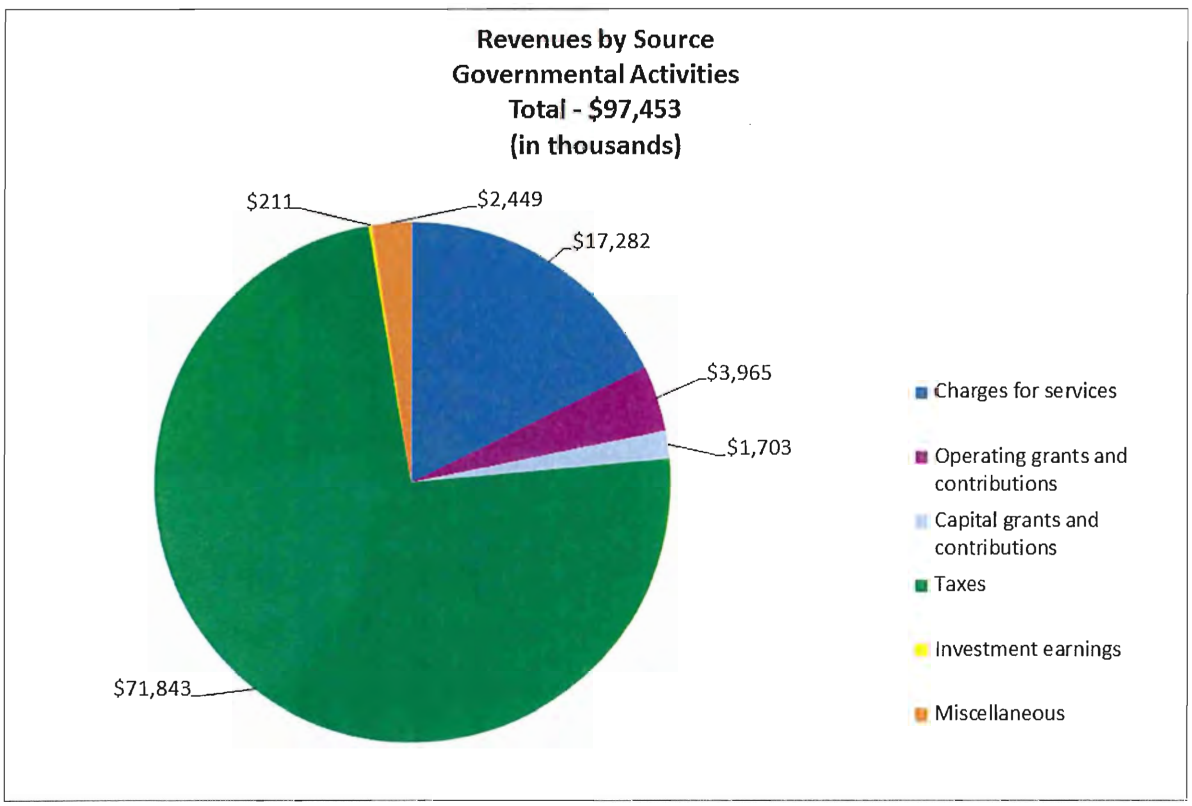
The City's governmental activities net position increased by $4.1 million during fiscal year 2016-2017. Charges for services were approximately $4.1 million lower than those of the previous year. Most of this decrease, $2.6 million, stems from a change in the reporting of reimbursements to the City from SRSD. (In the previous year, the reimbursements were reported as a charge for services. Going forward, these charges are eliminated because their source is a component unit of the City.) The City also experienced a decline in third-party billings for emergency medical transport services.

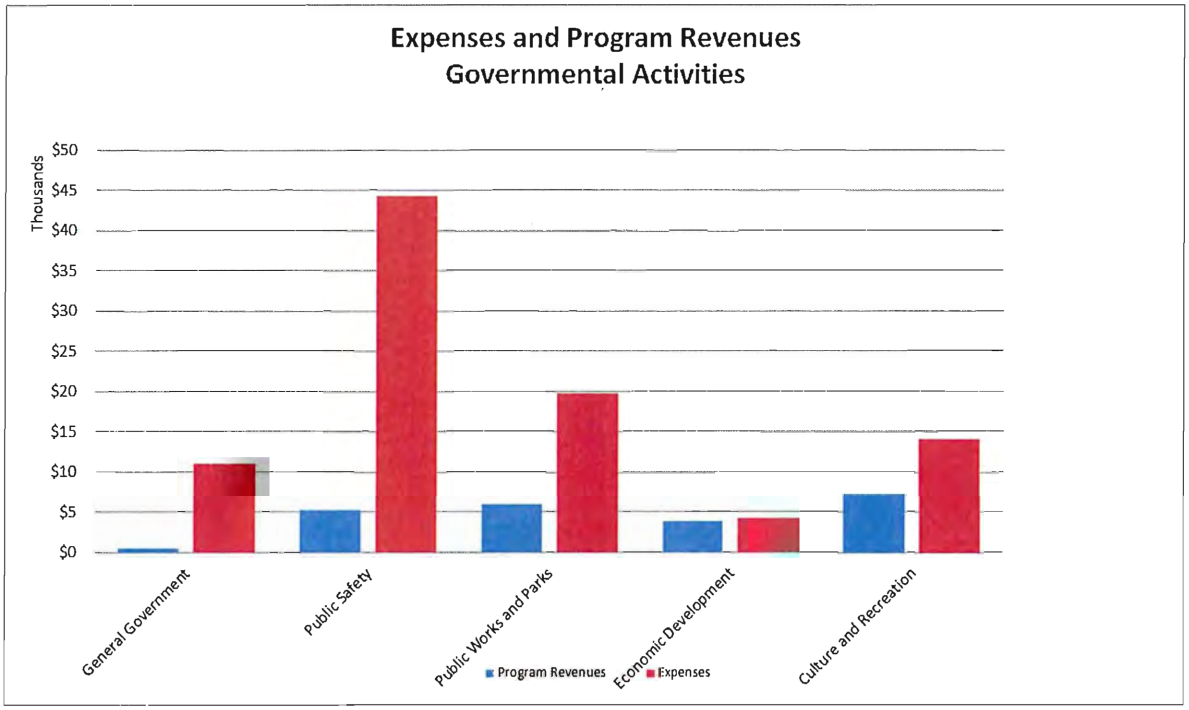
Approximately half of the $3.3 million increase in property tax revenues results from a reporting change in which property transfer tax revenues are now being accounted for within the property tax category. In the prior year, it was reported under "Other taxes." The remainder of the growth reflects economic growth (approximately five percent) coupled with some one-time distributions from prior year activity. The year-over-year $2.5 million decrease in sales taxes is attributable to a leveling off in sales tax-related growth in the current year combined with a $1.2 million one-time sales tax revenue in the previous year.

Other taxes dropped from $3.5 million to $1.7 million in the current year because of the change in reporting of the property transfer tax, as described previously. Finally, Miscellaneous revenues increased by just under $1.1 million, with most of the increase attributable to County of Marin payments toward the Fire Station 57 construction, one of the active Essential Facilities Capital projects.

The fiscal year 2016-2017 governmental expenses were $17.0 million less than those of the previous fiscal year. This decrease is driven by $26.7 million of pension expense adjustments recorded under GASB 68. The remaining year-over-year increase is attributable to other operating costs, which increased by approximately $9.7 million.

The following graph shows governmental revenues by source:





Total expenses for governmental activities were $93.6 million (excluding interest on long-term debt of $271 thousand). Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed $17.3 million in charges for services.
- A total of $5.7 million in operating and capital projects were funded by outside agencies through operating, capital grants, and contributions.

As a result, total expenses that were funded by tax revenues, investment income, other general revenues and fund balance were $70.6 million.

Functional expenses for the year ended June 30, 2017 were as follows:

Expenses by Function
(in thousands)

Function	Amount	Percent of Total
General government	$10,996	11.6%
Public safety	44,367	47.3%
Public works and parks	19,846	21.0%
Community development	4,243	4.5%
Culture and recreation	14,131	15.1%
Interest on debt	271	0.3%
Total expenses	$93,854	100%

Statement of Activities – Business-type

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

	Business-Type Activities 2017	2016	Increase (Decrease)
Revenues			
Program revenues:			
Charges for services	$5,268	$5,212	$56
Total program revenues	5,268	5,212	56
General revenues:			
Miscellaneous	11	15	(4)
Total general revenues	11	15	(4)
TOTAL REVENUES	5,279	5,227	52
Expenses			
General government	4,188	4,763	(575)
TOTAL EXPENSES	4,188	4,763	(575)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	1,091	464	627
OTHER FINANCING SOURCES (USES)			
Transfers out	(536)	(448)	(88)
Total Other Financing sources (uses)			
Net Change in Net Position	555	16	539
Fund Balance, Beginning as of 7/1/16	9,542	9,806	(264)
Change due to implementation of GASB 75 (See Note 1Q)	-	(280)	280
Net Position, Ending as of 6/30/17	$10,097	$9,542	$555

The net position for business-type activities was increased by $555 thousand in fiscal year 2016-2017 from the prior fiscal year.

- Parking services is the City's only business-type activity with income derived from program revenues of $5.3 million. Program revenues include parking meter coin income of $1.9 million and parking garage hourly and monthly parking income of $1.3 million. Revenues also include parking and non-vehicle code fines totaling $2.1 million. Total expenses for parking services were $4.2 million and transfers out to general fund and non-major governmental fund for support totaled $536 thousand during the fiscal year 2016-2017. The year-over-year decrease in expenditures was driven by routine pension-related accounting adjustments in the parking fund.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds

Fund Balance Classifications

In February 2009, the Governmental Accounting Standards Board issued Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be applied. Under GASB 54, fund balances are classified in five categories: nonspendable, restricted, committed, assigned, and unassigned based on hierarchy of constraint. Further details on fund balance classifications can be found in Note 8B.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial capacity. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2017, the City reported a combined ending fund balance of $46.1 million of all its governmental funds (a decrease of 4.0 million from the prior year): $0.5 million is non-spendable, $25.8 million is restricted, $3.5 million is committed, $15.0 million is assigned and $1.3 million is unassigned.

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

General Fund – The fund balance of the General Fund as of June 30, 2017 was $16.7 million (a decrease of $2.0 million from the prior year balance): $0.5 million is non-spendable, $14.9 million is assigned, and $1.3 million is unassigned. The assigned portion of the balance includes $7.2 million for emergency and cash flow needs.

<u>General Fund Budgetary Highlights:</u>

The original adopted General Fund budget projected total revenue of $74.9 million and transfers-in of $1.2 million for total resources of $76.1 million. This budget appropriated expenditures of $69.9 million and transfers-out of $6.0 million for total appropriations of $75.9 million. Transfers-out were later increased to $7.2 million in order to accommodate the funding of the San Rafael Essential Facilities project from Measure E Transactions and Use Tax (TUT), based on actual project expenditures.

Actual revenues, at $73.4 million, were lower than the original budgeted revenues by $1.5 million. This negative performance was primarily due to a decline in sales tax revenues. Actual expenditures of $69.5 million were less than the original budgeted expenditures by $0.4 million, primarily due to staffing vacancies.

Fiscal year 2016-2017 General Fund revenues and transfers of $74.8 million exceeded expenditures and operating transfers out of $71.3 million by $3.5 million. Capital transfers to the Essential Facilities Capital Projects fund reduced the net results by $5.4 million. Net operating results were sufficient to ensure that the General Fund Emergency and Cash Flow Reserve maintained its target level of 10 percent of actual expenditures.

Summary of General Fund Budget and Actual
For the fiscal year ended June 30, 2017 (in thousands)

	Adopted Budget	Revised Budget	Actual
Revenues	$74,942	$74,117	$73,366
Transfers in	1,213	1,382	1,382
Total resources	76,155	75,499	74,748
Expenditures	69,901	$70,526	69,520
Transfers out (operating)	1,936	1,796	1,796
Total uses	71,837	72,322	71,316
Net Operating Results	$4,318	$3,177	$3,432
Transfers out (capital)	4,040	5,417	5,417
Net Results after capital transfers	$278	($2,240)	($1,985)

Traffic and Housing Mitigation Fund – The City uses this fund to collect developer contributions to be used for major street improvement and housing infrastructure projects. During the year, the fund balance decreased from $10.4 million to $9.1 million. Revenues totaled $0.2 million, while $1.8 million was charged against this fund to support the maintenance of the City-wide traffic model, including the Tamalpais Avenue queue cutter and Freitas-Las Gallinas Intersection Improvement. The balance in the fund is being held in anticipation of major street projects identified in the General Plan 2020 and other qualifying expenditures.

Gas Tax Fund – The City uses this fund to manage its allocation of State gasoline taxes and local funding for street maintenance projects. Gas tax revenues exceeded expenditures and net transfers by $70 thousand in fiscal year 2016-2017 leaving the ending fund balance effectively unchanged at $6.7 million.

Expenditures during fiscal year 2016-2017 totaled $4.6 million. In addition to routine street-related maintenance, expenditures include $703 thousand for Downtown Rail Readiness, $1.6 million for miscellaneous street resurfacing, $580 thousand for Grand Avenue Pathway Connector, $232 thousand for Brookdale Avenue Retaining Wall Repair and $146 thousand for Emergency Slide Repair and Road Repair.

The largest sources of revenues were $1.1 million in development impact fees, $1.2 million from State gasoline taxes, $635 thousand in local Measure A and $492 thousand in Measure B funding.

Essential Facilities Capital Projects Fund – The City uses this fund to account for major capital improvements to public safety facilities. The currently active construction projects are Fire Station 57, Fire Station 52 and the Public Safety Center. Expenditures during fiscal year 2016-2017 totaled $6.1 million, of which $5.4 million was transferred from the General Fund from an allocation of Measure E Transaction and Use Tax, and the remainder from reimbursements from the County of Marin for its share of Fire Station 57 costs.

Non-major Governmental Funds – The City's non-major funds are presented in the basic financial statements in the aggregate. At June 30, 2017, non-major funds had a total fund balance of $13.6 million, a $0.8 million decrease from the previous year. While the Childcare and Grants funds reported increases of $216 thousand and $139 thousand, respectively; the Stormwater Fund spent down $772 thousand as it completed major work on the Rossi Pump Station, and the State Lands Fund (reported under Development Services) expended a net $318 thousand in support of a right-of-way purchase.

Of the ending total non-major fund balances of $13.6 million: $10.0 million (74%) is legally restricted for specific purposes by external funding source providers, $3.5 million (25%) is committed for special purposes by the City Council, and $ 0.1 million (1%) is assigned. Additional information about these aggregated non-major funds is presented in the combining statements which immediately follow the required supplementary information.

Proprietary Funds

The City's proprietary funds are presented in the basic financial statements in a manner similar to that found in the government-wide financial statements, but in more detail. As noted in the Summary of Changes in Net Position – Business-type Activities at page 36, the City's proprietary fund net position was increased by $764 thousand during the fiscal year. The Parking Services Fund is the City's sole business-type (Enterprise) activity.

The proprietary fund operating revenue was increased by $57 thousand in fiscal year 2016-2017 to $5.269 million. The Enterprise fund operating expenses were $3.8 million in fiscal year 2016-2017, a decrease of $0.8 million over the prior fiscal year.

The City's Internal Service Funds are also reported in this Proprietary Fund classification. In fiscal year 2016-2017, the Internal Services Funds were comprised of: Building Maintenance, Vehicle Replacement, Equipment Replacement, Employee Benefits, Liability Insurance, Workers' Compensation, Dental Insurance, Employee Retirement, OPEB/Retiree Medical, Radio Replacement, Telephone Replacement and Sewer Maintenance. The net position of the Internal Service Funds increased by $2.2 million, $1.9 million of which was in the building maintenance fund reflecting the growth in depreciable City infrastructure-related assets. The other Internal Service Funds reported small-to-moderate changes to their respective net positions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to $216.0 million, net of accumulated depreciation of $167.9 million. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. The net addition to the City's investment in capital assets for the current fiscal year was $12.0 million, offset by accumulated depreciation of $6.9 million.

Additions to capital assets during fiscal year 2016-2017 included:

- Building and structures
- Terra Linda Recreation Center Pool House

➢ Infrastructure: $9.8 million

- Downtown Rail Readiness - $3.8 million
- Tamalpais Avenue Queue Cutter Improvement - $1.9 million
- Rossi Pump - $1.7 million
- H Street Drainage Improvement - $2.4 million

The City's Capital Assets for the fiscal years ending June 30, 2017 and 2016 were as follows:

Summary of Capital Assets
(in thousands)

	2017	2016
Governmental Activities		
Land	$83,662	$83,261
Construction in progress	11,847	11,520
Land improvements	9,020	9,020
Buildings and structures	42,896	41,667
Machinery and equipment	18,841	18,477
Infrastructure	197,025	187,213
Less accumulated depreciation	(163,785)	(157,072)
Subtotal Governmental Activities	199,506	194,086
Business-type Activities		
Land	8,621	8,621
Buildings and structures	10,714	10,714
Machinery and equipment	1,212	1,267
Less accumulated depreciation	(4,103)	(3,902)
Subtotal Business-type Activities	16,444	16,700
Total Capital Assets	$215,950	$210,786

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

Debt Administration

The City's debt obligations were stable year-over year, and reflect payments of principal made during the year. The debt of the former Redevelopment Agency is reported under the Successor Agency, which is presented as Private-Purpose Trust Fund on the Statement of Fiduciary Net Position. (See Note 6 of the financial statements for additional information on the debt obligations of the City and Note 15 for additional information on the Successor Agency.) The City's long-term obligations for the fiscal years ending June 30, 2017 and 2016 were as follows:

Summary of Long-Term Debt
(in thousands)

	2017	**2016**
Governmental Activity Debt:		
2010 Taxable Pension Obligation Bonds	$4,390	$4,490
PG & E City Hall HVAC Retrofit Note Payable	213	246
PG & E Street Light Retrofit Note Payable	91	133
Subtotal Governmental Activity Debt	4,694	4,869
Business-type Debt:		
PG & E Parking Lot Lighting Retrofit Note Payable	41	48
2012 Authority Lease Revenue refunding Bonds, as adjusted	5,434	5,693
Subtotal Business-type Debt	5,475	5,741
Total Long-Term Obligations	$10,169	$10,610

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

Seven years after the official end of the Great Recession, the City's revenues have firmly established themselves above the former peak set at the end of the last decade, although sales tax revenues have experienced a leveling off. As the City looks ahead to fiscal year 2017-2018, management is encouraged by indicators that the local economy will remain vibrant. However, relatively strong growth in the regional economy continues to be tempered by uncertainty at the state, national and international levels.

The nation continues to bounce back slowly, fueled by a resurgent housing market and consistent job growth. While elements of the national economy are on the mend, there are many longer-term issues the nation must address, including funding changes to the national healthcare system, long-term underemployment and unemployment, and resolving underfunded federal entitlements and state and local pensions.

The California economy continues to rebound from the recession. Although the 4.9% unemployment rate remains above the national average of 4.4%, it continues to fall and remains on a convergent track with the national average. Personal income has rebounded over the past few years, and the State continues to prosper from the flow of capital into the technology companies who are attracted to California. Although the State has been able to slowly build back its reserves and post budget surpluses, there are concerns that budget shortfalls could return within the next few years. In addition, the "wall of debt" which, when pension and retiree medical liabilities are considered, reaches into the hundreds of billions of dollars and managing the impact of the severe drought most of the 58 counties are likely to burden the State for several years.

Locally, the 3.0% Marin County unemployment rate is the second lowest in the State. According to the Marin Economic Forum, the County added 4,000 payroll jobs and gained approximately 250 payroll businesses in 2016. Real personal income is projected to grow at an average rate of just over 2.5% over the next year, and Marin County's taxable sales per capita are the third highest in the State. Marin County median home prices now exceed $1.3 million and continue to rise, while the recovery of commercial real estate has led to stable rents increasing to an average of $2.80 per square foot.

The City's general fund is fueled by the momentum of five consecutive years of strong operating results. Service levels have increased moderately over the past few years, with additional resources being allocated to homeless issues, massage ordinance enforcement, open space management and deferred maintenance. At the same time, the City is fully funding its actuarially-determined, required contributions for both pension and retiree medical (OPEB) obligations.

The City enters fiscal year 2017-2018 with approximately $4.8 million accumulated from a dedicated portion of its Measure E Transaction Use Tax (TUT) for public safety facilities construction and improvements. One-third of this twenty-year San Rafael three-quarter percent TUT, which became effective April 1, 2014, has been set aside by City Council direction for this purpose.

Reductions in staffing and service levels, coupled with deferred maintenance of City facilities as method of coping with past economic downturns means that, although the City is able to maintain and, in some cases, improve on its level of services and make come strategic investments for the City's future, there will still be critical, unfunded capital and maintenance needs.

The trends for sales tax and transactions and use tax (Measure E), which combined represent the City's largest tax revenue generators, suggested continued, but moderate growth. For fiscal year 2017-2018, these taxes are projected to increase by approximately three percent.

The City's second largest tax generator is property tax. The City is expecting the fiscal year 2016-2017 tax roll to increase by approximately five percent over the previous year. Other tax and non-tax revenues are expected to grow moderately, in the range of two to four percent.

The City's largest expenditure relates to personnel costs. Salaries and benefits are tied to the labor agreements with each bargaining group. With the exception of SEIU-Childcare, which has a three-year contract terminating on October 31, 2019, the City's labor units are all operating under two-year contracts that expire on June 30, 2018. Negotiated compensation increases in effect through June 30, 2018 range between 3.0% and 4.0% for the fiscal year.

In the bond markets, the San Rafael name is recognized as a high credit municipal entity given both the City's financial strength and solid financial management. Because the City's bonds are highly sought by investors and are fairly competitive in the marketplace, the City can borrow funds at reasonably attractive rates. The City maintains an AA- issuer credit rating with Standard & Poor's Ratings Services.

The City anticipates spending down most of its funds accumulated for the San Rafael Essential Facilities capital improvements project. This project, which includes a new public safety administrative building and major safety and operational improvements to fire stations, is being funded from a dedicated portion of the Measure E TUT. Other General Fund balances are expected to remain stable for the year.

REQUEST FOR INFORMATION

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

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

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

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

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

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

SAN RAFAEL

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CITY OF SAN RAFAEL
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
ASSETS				
Cash and investments available for operations (Note 2)	$64,866,135	$3,217,411	$68,083,546	$24,536,913
Restricted cash and investments (Note 2)	702,161		702,161	
Receivables:				
Accounts	2,333,440	50,543	2,383,983	48,157
Taxes	7,481,603		7,481,603	
Grants	123,581	6,507	130,088	
Interest	169,010		169,010	
Loans (Note 4)	654,612		654,612	
Long-term receivable from the Successor Agency (Note 15D)	761,773		761,773	
Long-term receivable from San Rafael Sanitation District (Note 4G)	4,527,836		4,527,836	
Internal balances (Note 3B)	162,051	(162,051)		
Prepaid expenses and others	1,362,605	154,835	1,517,440	54,842
Capital assets (Note 5):				
Nondepreciable	95,509,234	8,620,853	104,130,087	387,361
Depreciable, net	103,996,931	7,822,754	111,819,685	48,004,957
Total Assets	282,650,972	19,710,852	302,361,824	73,032,230
DEFERRED OUTFLOWS				
Deferred outflows related to pension (Note 9)	72,653,722	2,353,734	75,007,456	
Deferred outflows related to OPEB (Note 11)	4,214,824	40,176	4,255,000	
Total Deferred Outflows	76,868,546	2,393,910	79,262,456	
LIABILITIES				
Accounts payable	8,416,779	90,048	8,506,827	620,794
Deposits payable	101,146		101,146	
Interest payable		46,547	46,547	
Developer deposits payable	547,699		547,699	
Unearned revenue	367,589		367,589	
Claims payable (Note 13):				
Due in one year	2,653,288		2,653,288	
Due in more than one year	6,094,050		6,094,050	
Compensated absences (Note 1K):				
Due in one year	556,116	17,703	573,819	
Due in more than one year	3,892,816	123,922	4,016,738	
Long-term debt (Note 6):				
Due in one year	280,172	276,816	556,988	
Due in more than one year	4,413,151	5,198,149	9,611,300	
Long-term payable to the City of San Rafael (Note 4G)				4,527,836
Net OPEB liability (Note 11)	33,466,002	318,998	33,785,000	
Net pension liability (Note 9)	161,812,669	5,242,181	167,054,850	
Total Liabilities	222,601,477	11,314,364	233,915,841	5,148,630
DEFERRED INFLOWS				
Deferred inflows related to pension (Note 9)	21,402,737	693,376	22,096,113	
Total Deferred Inflows	21,402,737	693,376	22,096,113	
NET POSITION (Note 8):				
Net investment in capital assets	199,202,842	10,968,642	210,171,484	48,392,318
Restricted for:				
Special revenue projects:				
Housing and street improvements	16,575,903		16,575,903	
Stormwater	189,087		189,087	
Emergency medical services	1,744,530		1,744,530	
Other	6,564,442		6,564,442	
Capital projects	3,984,436		3,984,436	
Debt service	167,245		167,245	
Total Restricted Net Position	29,225,643		29,225,643	
Unrestricted	(112,913,181)	(871,620)	(113,784,801)	19,491,282
Total Net Position	$115,515,304	$10,097,022	$125,612,326	$67,883,600

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	$10,996,269	$421,393	$168,782	
Public safety	44,366,734	4,264,939	996,507	
Public works and parks	19,845,719	1,804,698	2,452,581	$1,702,993
Community development	4,242,743	3,850,107		
Culture and recreation	14,131,000	6,941,013	347,481	
Interest on long-term debt and fiscal charges	271,263			
Total Governmental Activities	93,853,728	17,282,150	3,965,351	1,702,993
Business-type Activities				
Parking services	4,188,152	5,268,991		
Total Business-type Activities	4,188,152	5,268,991	-	-
Total Primary Government	$98,041,880	$22,551,141	$3,965,351	$1,702,993
Component Unit				
San Rafael Sanitation District	$11,255,194	$16,014,016	$ 36,945	$ 79,245

General revenues:

Taxes:

Property

Sales:

Sales and Use

Measure E half-cents sales tax

Measure E quarter-cents sales tax

Measure S

Paramedic

Transient occupancy

Franchise

Business license

Other

Investment earnings

Miscellaneous

Transfers (Note 3A)

Total general revenues and transfers

Change in Net Position

Net Position, beginning of year, as adjusted (Note 1Q)

Net Position, end of year

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
($10,406,094)		($10,406,094)	
(39,105,288)		(39,105,288)	
(13,885,447)		(13,885,447)	
(392,636)		(392,636)	
(6,842,506)		(6,842,506)	
(271,263)		(271,263)	
(70,903,234)		(70,903,234)	
	$1,080,839	1,080,839	
-	1,080,839	1,080,839	
(70,903,234)	1,080,839	(69,822,395)	
			$4,875,012
23,343,140		23,343,140	1,528,047
20,255,493		20,255,493	
7,689,925		7,689,925	
3,844,963		3,844,963	
28,878		28,878	
5,485,637		5,485,637	
2,984,758		2,984,758	
3,610,824		3,610,824	
2,774,803		2,774,803	
1,824,830		1,824,830	
210,628	10,810	221,438	97,090
2,448,604		2,448,604	
536,000	(536,000)		
75,038,483	(525,190)	74,513,293	1,625,137
4,135,249	555,649	4,690,898	6,500,149
111,380,055	9,541,373	120,921,428	61,383,451
$115,515,304	$10,097,022	$125,612,326	$67,883,600

SAN RAFAEL

THE CITY WITH A MISSION

FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be major funds by the City in fiscal year 2016-2017:

GENERAL FUND

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

TRAFFIC AND HOUSING MITIGATION SPECIAL REVENUE FUND

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

GAS TAX SPECIAL REVENUE FUND

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

ESSENTIAL FACILITIES CAPITAL PROJECTS FUND

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

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General	Special Revenue Funds: Traffic and Housing Mitigation	Special Revenue Funds: Gas Tax	Essential Facilities Capital Projects Fund
ASSETS				
Cash and investments available for operations (Note 2)	$13,434,043	$9,227,743	$7,009,256	$1,950,002
Restricted cash and investments (Note 2)				
Receivables:				
Accounts	1,257,061		46,441	183,106
Taxes	7,109,197		109,688	
Grants				
Interest	167,018			
Loans (Note 4)	230,973	193,573		
Long-term receivable from the Successor Agency (Note 15D)	761,773			
Prepaids	277,473			
Total Assets	$23,237,538	$9,421,316	$7,165,385	$2,133,108
LIABILITIES				
Accounts payable	$4,144,408	$270,227	$441,689	$2,133,108
Deposits payable	79,411	15,659		
Developer deposits payable	387,085			
Unearned revenue				
Compensated absences	64,189			
Total Liabilities	4,675,093	285,886	441,689	2,133,108
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - SB90 reimbursement receivable	1,096,240			
Unavailable revenue - long-term receivable from Successor Agency	761,773			
Total Deferred Inflows of Resources	1,858,013			
Fund Balances (Note 8):				
Nonspendable	508,446			
Restricted		9,135,430	6,723,696	
Committed				
Assigned	14,900,945			
Unassigned	1,295,041			
Total Fund Balances	16,704,432	9,135,430	6,723,696	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$23,237,538	$9,421,316	$7,165,385	$2,133,108

See accompanying notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
$12,734,480	$44,355,524
702,161	702,161
846,832	2,333,440
262,718	7,481,603
123,581	123,581
1,992	169,010
230,066	654,612
	761,773
4,574	282,047
$14,906,404	$56,863,751
$812,035	$7,801,467
6,076	101,146
160,614	547,699
367,589	367,589
	64,189
1,346,314	8,882,090
	1,096,240
	761,773
	1,858,013
	508,446
9,953,279	25,812,405
3,491,708	3,491,708
115,103	15,016,048
	1,295,041
13,560,090	46,123,648
$14,906,404	$56,863,751

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total fund balances reported on the governmental funds balance sheet	$46,123,648
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:	
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.	190,678,334
Internal service funds are used by management to charge the cost of management of building, workers' compensation, employee benefits, insurance, and post-retirement healthcare benefits to individual funds. The assets and liabilities are included in Governmental Activities in the Statement of Net Position.	21,218,401
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	(4,693,323)
Compensated absences	(4,384,743)
Unavailable revenue	1,858,013
Long-term receivables from San Rafael Sanitation District	4,527,836
Deferred outflow related to pension	72,653,722
Net pension liability	(161,812,669)
Deferred inflow related to pension	(21,402,737)
Deferred outflow related to OPEB	4,214,824
Net OPEB liability	(33,466,002)
Net position of governmental activities	$115,515,304

See accompanying notes to financial statements

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

		Special Revenue Funds				
	General	Traffic and Housing Mitigation	Gas Tax	Essential Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and special assessments	$64,242,440				$6,924,451	$71,166,891
Licenses and permits	2,559,841					2,559,841
Fines and forfeitures	400,283					400,283
Use of money and properties	229,791	$31,267	$24,527		63,764	349,349
Intergovernmental	2,767,092		3,728,982		1,567,082	8,063,156
Charges for services	2,459,680	204,210	1,149,022		9,612,249	13,425,161
Other revenue	706,657		62,314	$635,387	437,695	1,842,053
Total Revenues	73,365,784	235,477	4,964,845	635,387	18,605,241	97,806,734
EXPENDITURES						
Current:						
General government	10,190,580	22,450			344,386	10,557,416
Public safety	40,844,246				8,173,907	49,018,153
Public works and parks	11,201,655	1,745,154	2,643,991		1,162,161	16,752,961
Community development	3,759,564					3,759,564
Culture and recreation	3,077,435				9,569,293	12,646,728
Capital outlay			1,641,317		459,609	2,100,926
Capital improvement / special projects			305,704	6,052,841	1,044,704	7,403,249
Debt service:						
Principal	175,172					175,172
Interest and fiscal charges	271,263					271,263
Total Expenditures	69,519,915	1,767,604	4,591,012	6,052,841	20,754,060	102,685,432
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,845,869	(1,532,127)	373,833	(5,417,454)	(2,148,819)	(4,878,698)
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 3A)	1,382,303	228,400	325,000	5,417,454	1,933,850	9,287,007
Transfers out (Note 3A)	(7,213,543)		(628,400)		(612,819)	(8,454,762)
Total Other Financing Sources (Uses)	(5,831,240)	228,400	(303,400)	5,417,454	1,321,031	832,245
Net Change in Fund Balances	(1,985,371)	(1,303,727)	70,433		(827,788)	(4,046,453)
FUND BALANCES, BEGINNING OF YEAR	18,689,803	10,439,157	6,653,263		14,387,878	50,170,101
FUND BALANCES, END OF YEAR	$16,704,432	$9,135,430	$6,723,696		$13,560,090	$46,123,648

See accompanying notes to financial statements

CITY OF SAN RAFAEL
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	($4,046,453)
Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:	
Capital Assets Transactions	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay and improvement expenditures are therefore added back to fund balance	9,504,175
Non-capitalized capital outlay expenditures were reclassified to various governmental activities	2,003,366
Loss on disposal of capital assets is deducted from fund balance	(207,188)
Transfer of capital assets to Internal Service Funds is deducted from fund balance	(1,228,402)
Depreciation expense is deducted from fund balance	(6,222,352)
Long-Term Debt Proceeds and Payments	
Repayments on long-term debt principal are expenditures in the governmental funds, but in the Statement of Net Position the repayments reduce long-term liabilities.	175,172
Accrual of Non-Current Items	
The amount below included in the Statement of Activities does not require the use of current financial resources and therefore is not reported as revenue or expenditures in governmental funds (net change):	
Compensated absences	(126,623)
Unavailable revenue	(516,972)
Long-term receivable from San Rafael Sanitary District	(331,171)
Net Pension Liability Transactions	
Governmental funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension liability.	2,524,957
Net OPEB Liability Transactions	
Governmental funds record OPEB expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net OPEB liability.	190,187
Allocation of Internal Service Fund Activities	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.	2,416,553
Change in Net Position of Governmental Activities	$4,135,249

See accompanying notes to financial statements

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

PARKING SERVICES FUND

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

INTERNAL SERVICE FUNDS

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

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CITY OF SAN RAFAEL
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments available for operations (Note 2)	$3,217,411	$20,510,611
Receivable:		
Accounts	50,543	
Grants	6,507	
Prepaids	154,835	1,080,558
Total Current Assets	3,429,296	21,591,169
Noncurrent Assets:		
Capital assets (Note 5):		
Nondepreciable	8,620,853	530,301
Depreciable, net	7,822,754	8,297,530
Total Noncurrent Assets	16,443,607	8,827,831
Total Assets	19,872,903	30,419,000
DEFERRED OUTFLOWS		
Deferred outflows related to pension (Note 9)	2,353,734	
Deferred outflows related to OPEB (Note 11)	40,176	
Total Deferred Outflows	2,393,910	
LIABILITIES		
Current Liabilities:		
Accounts payable	90,048	615,312
Interest payable	46,547	
Compensated absences, due in one year (Note 1K)	17,703	
Claims payable, due in one year (Note 13)		2,653,288
Long-term debt, due in one year (Note 6)	276,816	
Total Current Liabilities	431,114	3,268,600
Noncurrent Liabilities:		
Compensated absences (Note 1K)	123,922	
Claims payable (Note 13)		6,094,050
Long-term debt (Note 6)	5,198,149	
Net OPEB liability (Note 11)	318,998	
Net Pension Liability (Note 9)	5,242,181	
Total Noncurrent Liabilities	10,883,250	6,094,050
Total Liabilities	11,314,364	9,362,650
DEFERRED INFLOWS		
Deferred inflows related to pension (Note 9)	693,376	
Total Deferred Inflows	693,376	
NET POSITION (Note 8):		
Net investment in capital assets	10,968,642	8,827,831
Unrestricted	(709,569)	12,228,519
Total Net Position	10,259,073	$21,056,350
Some amounts reported for *business-type activities* in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.	(162,051)	
Net position business-type activities	$10,097,022	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
OPERATING REVENUES		
Charges for current services	$3,103,420	$15,206,988
Other operating revenues	2,165,571	962,296
Total Operating Revenues	5,268,991	16,169,284
OPERATING EXPENSES		
Personnel	2,097,898	2,775,670
Insurance premiums and claims		6,614,379
Maintenance and repairs	71,875	288,700
Depreciation (Note 5)	255,508	1,067,900
General and administrative	1,362,350	4,289,993
Total Operating Expenses	3,787,631	15,036,642
Operating Income	1,481,360	1,132,642
NONOPERATING REVENUES (EXPENSES)		
Investment income	10,810	68,951
Interest expense	(192,038)	
Miscellaneous income		94,264
Loss on sale of capital assets		(19,944)
Total Nonoperating Revenues (Expenses)	(181,228)	143,271
Income Before Transfers	1,300,132	1,275,913
CAPITAL CONTRIBUTIONS		1,228,402
TRANSFERS IN (Note 3A)		80,275
TRANSFERS OUT (Note 3A)	(536,000)	(376,520)
Change in Net Position	764,132	2,208,070
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED (Note 1Q)	9,494,941	18,848,280
NET POSITION, END OF YEAR	$10,259,073	$21,056,350

* Reconciliation of the Change in Net Position with the Statement of Activities

Change in Net Position	$764,132
Some amounts reported for *business-type activities* in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds serviced.	(208,483)
Change in Net Position of Business-type Activities	$555,649

See accompanying notes to financial statements

CITY OF SAN RAFAEL
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/other funds	$3,103,420	$15,307,819
Cash payments to suppliers for goods and services	(1,665,543)	(13,509,146)
Cash payments to employees for salaries and benefits	(2,346,766)	(164,292)
Other operating revenues	2,269,878	962,010
Cash Flows from Operating Activities	1,360,989	2,596,391
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund receipts		80,275
Interfund payments	(536,000)	(376,520)
Cash Flows from Noncapital Financing Activities	(536,000)	(296,245)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on revenue bonds and note payable	(266,817)	
Interest expenses and fiscal charges	(193,263)	
Acquisition of capital assets		(1,222,005)
Proceeds from sale of property		94,264
Cash Flows from Capital and Related Financing Activities	(460,080)	(1,127,741)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	10,810	68,951
Cash Flows from Investing Activities	10,810	68,951
NET INCREASE IN CASH AND CASH EQUIVALENTS	375,719	1,241,356
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,841,692	19,269,255
CASH AND CASH EQUIVALENTS, END OF YEAR	$3,217,411	$20,510,611
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$1,481,360	$1,132,642
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	255,508	1,067,900
Net change in assets and liabilities:		
Accounts receivable	104,307	89,607
Loans receivable		10,938
Prepaids and deposits	(154,835)	2,478
Increase (decrease) in due to OPEB system	(1,813)	
Accounts payable	(76,483)	134,054
Compensated absence obligations	(1,100)	
(Decrease) in due to retirement system	(245,955)	
Claims payable		158,772
Net Cash Provided by Operating Activities	$1,360,989	$2,596,391
NON-CASH TRANSACTIONS:		
Amortization of bond discount	$725	
Contributions of capital assets		$1,228,402

See accompanying notes to basic financial statements

SAN RAFAEL

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY – PRIVATE PURPOSE TRUST FUND

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

PT. SAN PEDRO ROAD ASSESSMENT DISTRICT AGENCY FUND

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

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CITY OF SAN RAFAEL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments (Note 2)	$87,344	
Restricted cash and investments (Note 2)		$289,768
Receivable:		
Taxes	3,360,513	951
Total Assets	$3,447,857	$290,719
LIABILITIES		
Accounts payable	$1,697	
Interest payable	46,747	$26,614
Other long-term obligations (Note 15D)	761,773	
Due to bondholders		264,105
Long-term debt (Note 15C):		
Due within one year	3,080,000	
Due more than one year	15,852,670	
Total Liabilities	19,742,887	$290,719
NET POSITION (DEFICIT)		
Held in trust for private purpose	($16,295,030)	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS	
Property taxes	$4,137,246
Total Additions	4,137,246
DEDUCTIONS	
General government	261,850
Interest expense	886,612
Total Deductions	1,148,462
SPECIAL ITEM	
OPEB liability adjustment (Note 15D)	278,888
Total Special Item	278,888
Change in Net Position	3,267,672
NET POSITION HELD IN TRUST FUND FOR OTHER PURPOSES	
Beginning of year	(19,562,702)
End of year	($16,295,030)

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Financial Reporting Entity

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

B. Description of Blended Component Units

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

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

Activities of the Authority are reported in the Parking Services Enterprise Funds. Separate financial statements are not prepared for the Authority.

C. Description of Discretely Presented Component Unit

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. *Basis of Presentation*

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

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

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

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

E. *Major Funds and Other Reported Funds*

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

The City also reports the following fund types:

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

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

F. Basis of Accounting

The government-wide, proprietary, fiduciary and discretely presented component unit financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred,* regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end with the exception of sales and use tax revenues which are reported as available if collected within ninety days of year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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

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

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

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

G. Deferred Outflows/Inflows of Resources

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

H. Budgets, Budgetary Accounting, and Encumbrances

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

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

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

I. Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including all restricted assets) with maturity of three months or less when purchased to be cash equivalents. The City maintains a cash and investment pool that is available for use by all funds. As the proprietary funds' share of this pool is readily available when needed, such share is also considered to be cash equivalent. Deposit assets in the proprietary funds are related to insurance and benefits and are not considered cash equivalents for purposes of the statement of cash flows.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

City

Contributed capital assets are valued at their estimated fair market value on the date contributed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. All other capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

The City has included the value of all infrastructure capital assets into its Basic Financial Statements using the Basic Approach for infrastructure reporting.

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

Capital assets, excluding infrastructure, are recorded if acquisition or construction costs exceed $25,000. The similar threshold for infrastructure is $25,000.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

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

Buildings, improvements, and structures	20 – 50 years
Machinery and equipment	4 – 20 years
Infrastructure	15 – 50 years

District

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

Subsurface lines	50-80 years
Sewer collection facilities	5-50 years
General plant & administrative facilities	3-15 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	$4,258,120	$142,725	$4,400,845
Additions	4,436,330	113,870	4,550,200
Payments	(4,245,518)	(114,970)	(4,360,488)
Ending Balance	$4,448,932	$141,625	$4,590,557
Current Portion	$556,116	$17,703	$573,819

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Tax Levy, Collection and Maximum Rates

City

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

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

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

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

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

District

The County of Marin levies taxes and places liens on real property as of January 1 on behalf of the District. Unsecured property taxes are levied throughout the year.

M. Sewer Charges

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

N. Connection Fees

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

O. Use of Estimates

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

P. Implementation of Accounting Standards

Significant Accounting Standards Adopted in the Current Year

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). The Statement replaces the requirements of Statements No. 45 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The Statement is effective for periods beginning after June 15, 2017; however, the City has elected to implement effective July 1, 2016.

Q. Prior Period Adjustments

The early implementation of GASB Statement No. 75 required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities and Business-Type Activities were reduced by $20,340,365 and $280,365, respectively. The beginning net position of the Parking Services Fund was also reduced by $280,365 and the OPEB/Retiree Medical Fund increased by $9,101,000 as part of this implementation. See Note 11 for additional information.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fair Value Measurements

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

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
>
> Level 3 inputs are unobservable inputs for an asset or liability.

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

NOTE 2 - CASH AND INVESTMENTS

A. Policies

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

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

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

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments as of June 30, 2017, are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

Statement of Net Position:	
City of San Rafael:	
Cash and investments available for operations	$68,083,546
Restricted cash and investments	702,161
Total Primary Government Cash and Investments	68,785,707
San Rafael Sanitation District (Component Unit)	
Cash and investments available for operations	24,536,913
Total San Rafael Sanitation District Cash and Investments	24,536,913
Statement of Fiduciary Net Position (separate statement):	
Successor Agency to the Redevelopment Agency:	
Cash and investments available for operations	87,344
Restricted cash and investments	0
Total Successor Agency Cash and Investments	87,344
Pt. San Pedro Road Assessment District Agency Fund	289,768
Total Fiduciary Cash and Investments	377,112
Total Cash and Investments	$93,699,732

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Government Obligation	5 years	N/A	No limit	No limit
U.S. Agency Securities and Instruments	5 years	AAA	No limit	No limit
Repurchase Agreements	1 year	A-1	No limit	No limit
Prime Commercial Paper	270 days	A-1	25%	10% of total outstanding commercial paper
Bankers' Acceptances	180 days	A-1	40%	$2,000,000
Medium-Term Corporate Notes	5 years	A	30%	5% of portfolio
Negotiable Certificates of Deposit	5 years	A-1	30%	5% of portfolio
Non-negotiable Certificates of Deposit	5 years	N/A	30%	5% of portfolio
Local Agency Investment Fund	N/A	N/A	N/A	N/A
Money Market Mutual Funds	N/A	AAA	10%	N/A
Limited Obligation Improvement Bonds related to Special Assessment Districts and Special Tax Districts	30 years	N/A	N/A	N/A

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

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

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

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

E. GASB 72 Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2017:

	(a) Level 1	(b) Level 2	(c) Level 3	Total
City:				
Money Market Mutual Funds		$70,094		$70,094
U.S. Treasury Notes	$4,389,785			4,389,785
U.S. Agency Securities and Instruments		14,565,516		14,565,516
Medium-Term Corporate Notes		4,054,295		4,054,295
Investment in Pt. San Pedro Bonds			$1,520,800 **(d)**	1,520,800
Total Investments	$4,389,785	$18,689,905	$1,520,800	24,600,490
Local Agency Investment Fund				34,171,960
County Investment Pool				77,038
Cash in banks and on hand				9,936,219
Total City and Investments				68,785,707
Fiduciary:				
Total Investments	0			0
Cash in banks and on hand				377,112
Total Fiduciary Cash and Investments				377,112
Total City and Fiduciary Cash and Investments				69,162,819
San Rafael Sanitary District:				
County Investment Pool				24,536,913
Total District's Cash and Investments				24,536,913
Total Cash and Investments				$93,699,732

Source: The above GASB 72 classifications into the different Input Levels are provided by the US Bank Institutional Trust & Custody.

(a) Level 1 inputs are quoted prices in active market for identical assets. These are quoted prices in active markets for identical assets at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Level 2 inputs are significant other observable inputs. These inputs include: a) Quoted prices for similar assets in active markets; b) Quoted prices for identical or similar assets in markets that are not active; and c) Inputs other than quoted prices that are observable for an asset.

(c) Level 3 inputs are significant unobservable inputs. These inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date, unobservable inputs shall reflect the assumptions that market participants would use in pricing the asset including assumptions about risk.

(d) This pertains to the City-owned bonds of its investments in Pt. San Pedro that has no trading market and is thus listed under Level 3. This bond is valued using discounted cash flow techniques.

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Interest Rate Risk

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

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

Type of Investment	12 Months or Less	More than 12 Months	Total
City:			
Money Market Mutual Funds	$70,094		$70,094
Local Agency Investment Fund	34,171,960		34,171,960
County Investment Pool	77,038		77,038
U.S. Treasury Notes	2,495,880	$1,893,905	4,389,785
U.S. Agency Securities and Instruments	5,998,990	8,566,526	14,565,516
Medium-Term Corporate Notes	1,502,835	2,551,460	4,054,295
Investment in Pt. San Pedro Bonds		1,520,800	1,520,800
Total Investments	$44,316,797	$14,532,691	58,849,488
Cash in banks and on hand			9,936,219
Total City and Investments			68,785,707
Fiduciary:			
Total Investments	0		0
Cash in banks and on hand			377,112
Total Fiduciary Cash and Investments			377,112
Total City and Fiduciary Cash and Investments			69,162,819
San Rafael Sanitary District:			
County Investment Pool			24,536,913
Total District's Cash and Investments			24,536,913
Total Cash and Investments			$93,699,732

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2017, these investments matured in an average of 194 days.

Money Market Mutual Funds are available for withdrawal on demand. The investment portfolio of the Money Market Mutual Fund had an average maturity of 42 days at June 30, 2017.

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

G. *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2017, for each of the Primary Government's investment types as provided by Standard and Poor's or Moody's investment rating systems, except as noted:

Type of Investment	A	A+	AA-	AA	AA+	Aaa/AAA	A1/P1	Total
City (except Fiduciary Funds):								
Money Market Mutual Funds						$70,094		$70,094
County Investment Pool						77,038		77,038
U.S. Treasury Notes					$4,389,785			4,389,785
U.S. Agency Securities and Instruments					14,565,516			14,565,516
Medium-Term Corporate Notes	$495,895	$2,061,665	$500,340	$498,205	498,190			4,054,295
Total rated investments	$495,895	$2,061,665	$500,340	$498,205	$19,453,491	$147,132	$0	23,156,728
Not rated:								
Local Agency Investment Fund								34,171,960
Investment in Pt. San Pedro Bonds								1,520,800
Cash in banks and on hand								9,936,219
Total City Cash and Investments								68,785,707
Fiduciary:								
Money Market Mutual Funds						$0		-
Total rated investments						$0		0
Not rated:								
Local Agency Investment Fund								-
Cash in banks and on hand								377,112
Total Fiduciary Cash and Investments								377,112
Total City and Fiduciary Cash and Investments								69,162,819
						AAA/V1		
Component Unit								
San Rafael Sanitary District:								
Investment in County Pool (Rated AAA/V1)						24,536,913		24,536,913
Total District's Cash and Investments						$24,536,913		24,536,913
Total Cash and Investments								$93,699,732

H. *Concentration Risk*

Included in the table at Note G above are the following significant investments in any one issuer other than U. S. Treasury securities, mutual funds, and external investment pools.

Reporting Unit	Issuer	Investment Type	Amount
Entity-wide	Federal Home Loan Bank	Federal Agencies Obligation	$5,748,348
	Federal Farm Credit Bank	Federal Agencies Obligation	3,726,430

NOTE 3 – INTER-FUND TRANSACTIONS

A. Transfers

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

Transfers between funds during the fiscal year ended June 30, 2017, were as follows:

From Fund	To Fund	Amount	
General Fund	Non-Major Governmental Funds	$1,796,089	(A)
General Fund	Essential Facilities Capital Projects Fund	5,417,454	(B)
Gas Tax Fund	General Fund	400,000	(C)
	Traffic and Housing Mitigation Fund	228,400	(D)
Parking Services Enterprise Fund	General Fund	436,000	(C)
	Non-Major Governmental Funds	100,000	(A)
Internal Service Fund	General Fund	376,520	(C)
Non-Major Governmental Funds	General Fund	169,783	(E)
	Non-Major Governmental Funds	37,761	(F)
	Building Maintenance Internal Service Fund	80,275	(F)
	Gas Tax Fund	325,000	(G)
		$9,367,282	

(A) Transfer to the non-Major Governmental Funds were for administrative costs, grant matching, recreation and other program support.
(B) Transfer to the Essential Facilities Capital Projects Fund were for the Fire Station 52 and 57, and Public Safety Center projects.
(C) Transfers to the General Fund were for street maintenance support, administrative costs and pension obligation bond debt service principal and interest payment.
(D) Transfer to Traffic Mitigation for Freitas-Las Gallinas Intersection Improvement.
(E) Transfer residual funds in programs now reported in General Fund.
(F) Transfer Measure A Open Space to Victor Jones Park Improvements and Albert Park Improvements.
(G) Transfer from State Land Fund to Gas Tax Fund for right of way purchase.

B. Internal Balances

GASB 34 requires internal balances to be presented in the Government-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 4 – LOANS RECEIVABLE

A. *Summary of Loans Receivable*

The City has identified the portion of fund balance represented by these loans as nonspendable or restricted as discussed in Note 8. At June 30, 2017, these loans totaled:

Employee Loans	$6,350
Centertown Associates	230,066
One "H" Street Associates	48,573
Fire Chief Loan	224,623
Marin Housing Authority	145,000
Total	$654,612

B. *Employee Loans*

The City administers a computer loan program that supports the use of technology by employees. Employees are permitted to borrow up to $1,500 for the purchase of computer hardware and software. The loans are interest-free, have maximum terms of one year, and are repaid through automatic payroll deductions. As of June 30, 2017, the balance of the employee loans receivable was $6,350.

C. *Centertown Associates Loan*

On August 20, 1990, the former Redevelopment Agency loaned Centertown Associates, Ltd, $303,000 at 3% interest due semiannually. The loan was made for the construction of a 60-unit affordable Centertown apartment complex and is fully secured by a deed of trust. The final payment is due on July 31, 2065. With the dissolution of the Redevelopment Agency effective February 1, 2012, the assets of the Agency's Low and Moderate Income Housing fund, including the Centertown Associates loan, were assumed by the City's Low and Moderate Income Housing Special Revenue Fund. As of June 30, 2017, the balance of the loan including principal and accrued interest was $230,066.

D. *One "H" Street Associates Loan*

On January 18, 1994, the City loaned One "H" Street Associates $100,000 at zero percent interest with annual payments of $2,857 and with a final payment due January 18, 2034. As of June 30, 2017, the balance of this loan was $48,573.

NOTE 4 – LOANS RECEIVABLE (Continued)

E. Fire Chief Loan

On September 17, 2007, the City Council approved a Home Loan Agreement to provide the Fire Chief with housing assistance. Under the Agreement, which was executed on October 3, 2007, the City loaned the Fire Chief $600,000 to assist in the purchase of his primary residence. The loan is secured by a recorded deed of trust. The initial interest rate to be charged was 5.25% through August 31, 2008. On September 1, 2008, and on each September 1 following, until the loan is paid off, the interest rate of the loan will be adjusted based upon the then reported quarter-to-date Local Agency Investment Fund rate on the City's investment portfolio. As of June 30, 2017, the balance of the loan was $224,623.

F. Marin Housing Authority Loans

On April 19, 2016, the City made a loan to the Marin Housing Authority for a low and moderate income unit, in the amount of $145,000. As with other loans made under this program, this loan is due upon the sale of the unit. As of June 30, 2017, the balance of this loan was $145,000.

G. Other Receivables

The City provides staffing to San Rafael Sanitation District (District) under a contractual arrangement originated in 1987 that requires the District to pay all related employee costs incurred by the City on its behalf. Accordingly, the cost of providing pension and post-employment health benefits incurred by the City for the District staff but not yet funded are reflected by the District as an obligation, and by the City as a noncurrent receivable. The obligation as of June 30, 2017 is $4,527,836, and is composed of the following:

Long-term receivable from San Rafael Sanitation District:	
Defined benefit pension liability allocation (GASB 68)	$3,623,716
Other post-employment benefit liability allocation (GASB 75)	904,120
Total long-term receivable from San Rafael Sanitation District	$4,527,836

NOTE 5 - CAPITAL ASSETS

Changes in capital assets during the fiscal year consisted of:

	Balance June 30, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Governmental Activities					
Capital assets not being depreciated:					
Land	$83,261,168	$401,191			$83,662,359
Construction in progress	11,519,721	11,574,687	($207,189)	($11,040,344)	11,846,875
Total capital assets not being depreciated	94,780,889	11,975,878	(207,189)	(11,040,344)	95,509,234
Capital assets being depreciated:					
Land improvements	9,020,097				9,020,097
Buildings and structures	41,667,102			1,228,402	42,895,504
Machinery and equipment	18,476,428	961,998	(597,431)		18,840,995
Infrastructure	187,212,938			9,811,942	197,024,880
Total capital assets being depreciated	256,376,565	961,998	(597,431)	11,040,344	267,781,476
Less accumulated depreciation for:					
Land improvements	(5,800,084)	(270,055)			(6,070,139)
Buildings and structures	(17,086,815)	(1,203,468)			(18,290,283)
Machinery and equipment	(12,126,787)	(1,142,308)	577,488		(12,691,607)
Infrastructure	(122,058,098)	(4,674,418)			(126,732,516)
Total accumulated depreciation	(157,071,784)	(7,290,249)	577,488	11,040,344	(163,784,545)
Total net capital assets being depreciated	99,304,781	(6,328,251)	(19,943)	11,040,344	103,996,931
Total governmental activity capital assets	$194,085,670	$5,647,627	($227,132)		$199,506,165

	Balance June 30, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Business-type Activities					
Capital assets not being depreciated:					
Land	$8,620,853				$8,620,853
Total capital assets not being depreciated	8,620,853				8,620,853
Capital assets being depreciated:					
Buildings and structures	10,713,814				10,713,814
Machinery and equipment	1,266,865		($54,795)		1,212,070
Total capital assets being depreciated	11,980,679		(54,795)		11,925,884
Less accumulated depreciation for:					
Buildings and structures	(2,894,596)	($205,363)			(3,099,959)
Machinery and equipment	(1,007,821)	(50,145)	54,795		(1,003,171)
Total accumulated depreciation	(3,902,417)	(255,508)	54,795		(4,103,130)
Total net capital assets being depreciated	8,078,262	(255,508)			7,822,754
Total business-type activity capital assets	$16,699,115	($255,508)			$16,443,607

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance June 30, 2016	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2017
San Rafael Sanitation District					
Capital assets not being depreciated:					
Land and easements	$115,329				$115,329
Construction in progress	3,204,067	$6,393,082		($9,325,117)	272,032
Total capital assets not being depreciated	3,319,396	6,393,082		(9,325,117)	387,361
Capital assets being depreciated:					
Subsurface lines	28,364,238	70,932		6,745,103	35,180,273
Sewage collection facilities	39,499,143	49,533		2,580,013	42,128,689
General plant and administration	1,649,897	3,213			1,653,110
Total capital assets being depreciated	69,513,278	123,678		9,325,116	78,962,072
Less accumulated depreciation for:					
Subsurface lines	(10,812,495)	(485,276)			(11,297,771)
Sewage collection facilities	(17,631,349)	(931,117)			(18,562,466)
General plant and administration	(963,773)	(133,105)			(1,096,878)
Total accumulated depreciation	(29,407,617)	(1,549,498)			(30,957,115)
Total net capital assets being depreciated	40,105,661	(1,425,820)		9,325,116	48,004,957
Total District's capital assets	$43,425,057	$4,967,262		($1)	$48,392,318

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

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

Governmental Activities	
General government	$141,713
Public safety	857,493
Public works and parks	5,480,853
Community development/redevelopment	53,342
Culture and recreation	756,848
Total Governmental Activities	$7,290,249
Business-type Activities	
Parking services	$255,508
Total Business-type Activities	$255,508

NOTE 6 – LONG TERM DEBT

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

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2017, are as follows:

	Authorized and Issued	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
Governmental Activities:						
2010 Taxable Pension Obligation Bonds 6.00%-6.25%, due 7/1/2025	$4,490,000	$4,490,000		$100,000	$4,390,000	$205,000
Total Pension Obligation Bonds		4,490,000		100,000	4,390,000	205,000
PG & E City Hall HVAC Retrofit Note Payable 0.00%, due 11/30/2023	334,585	245,838		33,280	212,558	$33,280
PG & E Street Light Retrofit Note Payable 0.00%, due 8/31/2019	233,896	132,657		41,892	90,765	41,892
Total Governmental Long-term Debt		$4,868,495		$175,172	$4,693,323	$280,172
Business-type Activities						
PG & E Parking Lot Lighting Retrofit Note Payable 0.00%, due 11/30/2023	$66,380	$48,204		$6,816	$41,388	$6,816
2012 Authority Lease Revenue Refunding Bonds 2.00-4.00%, due 4/1/2033	6,750,000	5,705,000		260,001	5,444,999	270,000
Less: unamortized bond discount		(12,147)		(725)	(11,422)	
Total Enterprise Fund Debt		$5,741,057		$266,092	$5,474,965	$276,816

A. *2010 Taxable Pension Obligation Bonds*

On July 1, 2010, the City issued 2010 Taxable Pension Obligation Bonds in the amount of $4,490,000 bearing interest at rates from 6.00% to 6.25%. Principal payments are due annually on July 1 and interest is payable semiannually on January 1 and July 1. The Bonds were issued to prefund a portion of the obligations of the City to the Marin County Employees' Retirement Association. Payment of the principal and interest on the Bonds is not limited to any special source of funds and is payable from any legally available moneys of the City. The City is not empowered or obligated to levy or pledge taxes to make payments on the Bonds.

B. *Pacific Gas and Electric Note Payable*

On September 30, 2013, the City executed a note payable agreement with Pacific Gas and Electric (PG&E) in the amount of $634,861, bearing no interest. The debt was assumed as a means to finance energy-efficient retrofit projects which include updating existing heating, ventilation and air conditioning (HVAC) unit in City Hall and converting the street and parking lot light to light emitting diode (LED). $334,585 of the loan is for the HVAC projects and $300,276 of the loan is for the LED projects. Repayment of the loan commenced in December 2013, and is due monthly until paid in full in 2023.

NOTE 6 - LONG-TERM DEBT (Continued)

C. 2012 Authority Lease Revenue Refunding Bonds

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

D. Future Debt Service

Future debt service requirements, including interest, at June 30, 2017, are as follows:

For the Year	Governmental Activities		Business-type Activities	
Ended June 30	Principal	Interest	Principal	Interest
2018	$280,172	$264,362	$276,816	$186,188
2019	495,172	245,612	281,816	178,088
2020	485,261	219,662	291,816	169,838
2021	508,280	192,062	296,816	161,288
2022	538,280	162,031	306,816	152,588
2023 - 2027	2,386,158	303,443	1,652,307	617,982
2028 - 2032			1,945,000	314,412
2033			435,000	17,400
Totals	$4,693,323	$1,387,172	5,486,387	$1,797,784
Reconciliation of Long-term debt:				
Less: unamortized discount			(11,422)	
			$5,474,965	

NOTE 7 – DEBT WITHOUT CITY COMMITMENT

The City has sponsored the issuance of the following debt, for which the City is not liable for repayment but acts as an agent for the property owners and bondholders:

	Project Description	Original Amount	Outstanding June 30, 2017
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2000A	162-175 Belvedere Apartments	$3,590,529	$1,084,330
California Statewide Communities Development Authority Revenue Bonds-2002	St. Marks School	5,605,000	3,695,000
San Rafael Redevelopment Agency Variable Rate Demand Multifamily Housing Revenue Bonds-2001A	55 Fairfax Apartments	3,000,000	2,200,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2001	San Rafael Commons Apartments	6,100,000	4,880,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2007 Series A	Martinelli House Project	6,000,000	1,944,047
Multifamily Housing Revenue Bonds-2007 Series B	Martinelli House	1,000,000	205,575
Pt. San Pedro Road Median Landscaping Assessment District Limited Obligation Bonds-2012	Pt. San Pedro Road Median Landscaping	1,750,000	1,520,800

NOTE 8 – NET POSITION AND FUND BALANCE

A. Net Position

Net Position is the excess of all the City's assets and deferred outflow over all its liabilities, and deferred inflows regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level and business type activity and are described below:

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

Restricted describes the portion of Net Position which is restricted to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

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

NOTE 8 – NET POSITION AND FUND BALANCE (Continued)

B. Fund Balance

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

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

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

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

Assigned fund balances are amounts constrained by the City's intent that they be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Manager as designated by the City Council and may be changed at the discretion of the City Council or City Manager. This authorization is given through Resolution No. 13173 which adopts the City's Fund Balance Policy. This category includes nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

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

NOTE 8 – NET POSITION AND FUND BALANCE (Continued)

Detailed classifications of the City's fund balances, as of June 30, 2017, are below:

	General Fund	Special Revenue Funds: Traffic and Housing Mitigation	Special Revenue Funds: Gas Tax	Essential Facilities Capital Projects Fund	Other Governmental Funds	Total
Fund balances:						
Nonspendable:						
Loans receivable	$230,973					$230,973
Prepaids	277,473					277,473
Total Nonspendable	508,446					508,446
Restricted for:						
Assessment District capital projects					$300,780	300,780
Baypoint Lagoons Assessment District					238,326	238,326
Bedroom tax capital projects					76,845	76,845
Childcare					1,370,144	1,370,144
Development services					683,286	683,286
Emergency medical services					1,744,530	1,744,530
1997 financing authority revenue bonds debt service					147,797	147,797
Gas tax			$6,723,696			6,723,696
Grants					753,121	753,121
Household hazmat facility					313,365	313,365
Library					632,065	632,065
Library assessment					667,572	667,572
Loch Lomond Assessment District					660,266	660,266
Low and Moderate Income Housing					910,350	910,350
Mariposa Assessment District debt service					16,573	16,573
Measure A Open Space					369,235	369,235
Parkland dedication					449,188	449,188
Peacock Gap Assessment District debt service					2,875	2,875
Public safety					158,500	158,500
Pt. San Pedro - Maintenance Portion					151,283	151,283
Recreation revolving					118,091	118,091
Storm water					189,087	189,087
Traffic and housing mitigation		$9,135,430				9,135,430
Total Restricted		9,135,430	6,723,696		9,953,279	25,812,405

(Continued)

NOTE 8 – NET POSITION AND FUND BALANCE (Continued)

	General Fund	Special Revenue Funds: Traffic and Housing Mitigation	Special Revenue Funds: Gas Tax	Essential Facilities Capital Projects Fund	Other Governmental Funds	Total
Committed to:						
Capital improvement capital projects					$3,463,772	$3,463,772
Park capital projects					27,936	27,936
Total Committed					3,491,708	3,491,708
Assigned to:						
Contractual commitments	$50,581					50,581
MOU - One time payment	500,000					500,000
Emergency and cash flow	7,200,000					7,200,000
Infrastructure reserve	600,000					600,000
General plan / long range planning	1,786,478					1,786,478
Measure E - Public Safety Facility	4,763,886					4,763,886
Open space capital projects					115,103	115,103
Total Assigned	14,900,945				115,103	15,016,048
Unassigned to:						
General Fund	1,295,041					1,295,041
	1,295,041					1,295,041
Total Fund Balances	$16,704,432	$9,135,430	$6,723,696		$13,560,090	$46,123,648

NOTE 9 – PENSION PLANS

A. *Plan Description*

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

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

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

NOTE 9 – PENSION PLANS (Continued)

B. Benefit Provisions

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

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

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

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

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

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

NOTE 9 – PENSION PLANS (Continued)

C. *Funding Policy*

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

The City contribution rates for the year ended June 30, 2017 were as follows:

	Employer Contribution Rate	Employee Contribution Rate	Benefit	Basis
City of San Rafael Misc Tier 1	50.40%	0.00% - 16.82%	2.7% @ 55	Highest year
City of San Rafael Misc Tier 2	46.81%	7.89% - 12.57%	2.0% @ 55	Average three highest years
City of San Rafael Fire Tier 1	75.67%	0.00% - 19.79%	3.0% @ 55	Highest year
City of San Rafael Fire Tier 2	72.59%	11.34% - 17.69%	3.0% @ 55	Average three highest years
City of San Rafael Safety Police Tier	74.79%	00.00% - 19.79%	3.0% @ 55	Highest year
City of San Rafael Safety Police Tier :	75.53%	11.34% - 17.69%	3.0% @ 55	Average three highest years
PEPRA Misc	42.11%	9.18% - 10.18%	2.0% @ 62	Average three highest years
PEPRA Safety	64.88%	14.53%	2.7% @ 57	Average three highest years

These rates were determined by MCERA, based on the actuarial valuation dated June 30, 2015. The actual rate of return on investments during that year was 4.99% on a market value basis net of investment expenses, as compared to the 7.25% assumption.

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to MCERA. Contributions to the plan from the City were $20,003,002 for the year ended June 30, 2017, based on a total payroll of $41,553,242, of which $32,885,135 represented the basis for the plan contributions. Of the total payroll subject to plan contributions, $1,305,530 is attributable to the San Rafael Sanitation District (SRSD), a component unit of the City.

Effective with the June 30, 2013 valuation, the Unfunded Actuarial Liability (UAL) as of June 30, 2013 is being amortized over a closed 17-year period (15 years remaining as of June 30, 2015), except for the additional UAL attributable to the outstanding unfunded actuarial loss from 2009, which is being amortized over a separate closed period (currently 23 years).

Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses or method changes are amortized over a closed 24-year period (23 years remaining as of June 30, 2015, with a 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll between the ramping periods. This new amortization method for gains and losses is similar to a 20-year amortization period with level payments as a percentage of payroll, in conjunction with a traditional 5-year asset smoothing.

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

NOTE 9 – PENSION PLANS (Continued)

D. Pension Liability and Pension Expense

The City's net pension liability (NPL) has been determined for the financial reporting period ended June 30, 2017 based on the following methodology: The City's NPL as of June 30, 2015 was updated to the measurement date of June 30, 2016, using the actual City's plan assets as of June 30, 2016 and estimating the change in the City's liabilities between July 1, 2015 and June 30, 2016. This estimate is based on a projection of the City's long term contributions to the pension plan relative to the projected contributions of all participating employers.

The resulting NPL for the City under this calculation is $167,054,850, or 34.9538% of the total MCERA NPL of $477,930,440 (reference MCERA's GASB 67/68 report as of June 30, 2016). This compares to the previous year's NPL of $142,323,127, or 36.7394% of the total MCERA NPL of $387,385,550 (reference MCERA's GASB 67/68 report as of June 30, 2015).

In addition to the reporting of the NPL as of June 30, 2017, the City reported deferred inflows of $22,096,113 and deferred outflows of $55,004,455 as of the measurement date June 30, 2016. The City reported post-measurement date outflows of $20,003,001 from actual fiscal year 2016-2017 pension contributions. Deferred inflows include deferred investment gains and adjustments to assumptions based on actual positive results. Deferred inflows have a positive impact on net assets (offsetting the NPL) and will be recognized in future reporting periods. Deferred outflows include deferred investment losses, adjustments to assumptions based on actual negative results, and contributions made after the measurement date. Deferred outflows have a negative impact on net assets (similar to the NPL) and will be recognized in future reporting periods. The net impact of these pension liability related entries on the City's Statement of Net Position before allocations to the San Rafael Sanitation District is $114,143,507. After allocations to the San Rafael Sanitation District, the net impact on the City's Statement of Net Position is $110,519,791.

Under GASB 68, the City's pension expense is based on the Plan's pension expense, adjusted for the City's actual contributions and net pension liability. MCERA reported the Plan's pension expense to be $85,290,611, of which $30,799,273, or 34.9538%, is the City's annual pension expense for the reporting year.

Three components are used to calculate pension expense: (1) changes in the net pension liability; (2) changes in benefit terms (if any): and (3) changes in actuarial assumptions and experience. Pension expense is calculated using a different methodology than that used to derive the actuarially determined annual contribution to the Plan. Actual pension contributions during the reporting year were $20,003,001. Because pension expense is affected by annual changes in the net pension liability, volatility is to be expected. For the current measurement period, investment returns below the assumed rate were responsible for the increase in net pension liability and had a corresponding impact on pension expense.

NOTE 9 – PENSION PLANS (Continued)

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

Summary of Results		
Description	Measurement Date 6/30/2016	Measurement Date 6/30/2015
Net Pension Liability	$167,054,850	$142,323,127
Deferred Inflows	22,096,113	33,817,086
Deferred Outflows	(55,004,455)	(39,886,216)
Impact on Net Position before Deferred Outflows from Contributions	134,146,508	136,253,997
Additional Deferred Outflows - Contributions Subsequent to Measurement Date	(20,003,001)	(19,339,577)
Impact on Statement of Net Position before Allocations	114,143,507	116,914,420
Allocation of NPL to SRSD	5,320,236	4,695,240
Allocation of Deferred Inflows (measurement date) to SRSD	703,700	1,115,626
Allocation of Deferred Outflows (measurement date) to SRSD	(1,751,740)	(1,315,846)
Impact on Net Position before Allocation of Deferred Outflows from Contributions to SRSD	4,272,196	4,495,020
Allocation of Additional Deferred Outflows (Contributions) to SRSD	(648,480)	(638,013)
Long-Term Receivable from SRSD, due to pension obligations (see Note 4H)	3,623,716	3,857,007
Impact on Statement of Net Position, net of receivable from SRSD	110,519,791	113,057,413
Pension Expense ($ Amount)	30,799,273	19,107,673

Projection of Total Pension Liability and Net Pension Liability

Total Pension Liability (TPL) is the actuarial present value of projected benefit payments attributed to past periods of employee service. For the purposes of Governmental Accounting Standards Board Statement No. 68 (GASB 68), MCERA and the City have adopted a measurement date of June 30, 2016. The beginning of year measurement of TPL is based on the actuarial valuation as of June 30, 2015. The TPL at the end of the measurement year, June 30, 2016, is also measured as of the valuation date of June 30, 2015, and projected to June 30, 2016.

The Plan Fiduciary Net Position (FNP) is the fair or market value of assets. The FNP at the beginning of the year is based on the actuarial valuation as of June 30, 2015. The FNP at the end of the measurement year, June 30, 2016, is also measured as of the valuation date of June 30, 2015, and projected to June 30, 2016.

The Net Pension Liability (NPL) is the City liability for benefits provided through its defined benefit plan administered by MCERA. It is calculated by reducing the TPL by the FNP.

NOTE 9 – PENSION PLANS (Continued)

Actuarial assumptions:

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions applied to all prior periods included in the measurement. The key assumptions in the valuation were:

Actuarial assumptions:	
Expected Return on Assets	7.25 percent per year, net of investment expenses
Discount Rate	7.25 percent per year
Price Inflation	2.75% per year
Salary Increases	3% per year plus merit component based on employee classification and years of service.
Administrative Expenses	Administrative expenses in the actuarial valuation are assumed to be $4.635 million for FY 2015-16, to be split between employees and employers based on their share of the overall contributions. Administrative expenses shown in this report are based on the actual FY 2015-16 amounts.
Post-Retirement COLA	Post-retirement COLAs are assumed at a rate of 2.7% for members with a 4% COLA cap, 2.6% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap.
Mortality Rates for Healthy Members and Inactives	Rates of mortality for active members are specified by CalPERS 2014 Pre-Retirement Non-Industrial Death Rates (plus Duty-Related Death rates for Safety members), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014.

These assumptions constitute a slight change from those used in prior actuarial valuations: The investment rate of return assumption of 7.25% coupled with an inflation assumption of 3.00%.

NOTE 9 – PENSION PLANS (Continued)

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

The Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA's investments. The IPS establishes MCERA's investment objectives and defines the principal duties of the Retirement Board, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following was the Retirement Board's adopted asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Rate of Return (with the effect of inflation)
Domestic Equity	32%	5.10%	7.35%
International Equity	22%	5.30%	7.55%
Fixed Income	23%	0.75%	3.00%
Real Estate	8%	3.75%	6.00%
Real Assets	7%	3.55%	5.80%
Private Equity	8%	5.90%	8.15%
Total	100%		

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

Determination of Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25%. Related to the discount rate is the funding assumption that employees will continue to contribute to the plan at the required rates and employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (23 years remaining as of the June 30, 2015 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (15 years remaining as of the June 30, 2015 actuarial valuation).

A change in the discount rate would affect the measurement of the TPL. A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. A one percent decrease in the discount rate increases the TPL by approximately 13% and increases the NPL by approximately 71%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the NPL by approximately 59%.

NOTE 9 – PENSION PLANS (Continued)

The table below shows the sensitivity of the NPL to a one percent decrease and a one percent increase in the discount rate:

Sensitivity of Net Pension Liability to Changes in Discount Rate

Description	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Total Pension Liability	$1,019,941,989	$900,629,287	$802,536,748
Fiduciary Net Position	733,574,437	733,574,437	733,574,437
Net Pension Liability	$286,367,552	$167,054,850	$68,962,311
Fiduciary Net Position as a Percentage of the Total Pension Liability	71.9%	81.5%	91.4%

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

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

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$5,483,071
Changes in assumptions	$25,298,450	
Change in proportion	14,629,279	4,966,639
Changes in proportion and difference between City contributions and proportionate share of contributions		11,646,403
Actual FY 16-17 contributions (post measurement date)	20,003,001	
Net difference between projected and actual earnings on pension plan investments	15,076,726	
Deferred Inflows and Outflows Before Allocations	$75,007,456	$22,096,113
Allocation to SRSD		
Allocation of Deferred Inflows (measurement date)	$703,700	$1,751,740
Allocation of Deferred Outflows (measurement date)		648,480
Net Deferred Inflows and Outflows	$74,303,756	$19,695,893

NOTE 9 – PENSION PLANS (Continued)

The $20,003,001 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	Amortization Amount
2018	$9,222,804
2019	8,905,878
2020	7,294,038
2021	7,485,622
Thereafter	
	$32,908,342

NOTE 10 - PUBLIC AGENCY RETIREMENT SYSTEM (DEFINED CONTRIBUTION RETIREMENT PLANS)

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

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

As determined by the plan, each employee must contribute 3.75% of gross earnings to the plan. The City contributes an additional 3.75% of the employee's gross earnings. Contributions made by an employee and the employer vest immediately. No forfeitures were noted during the current period.

During the year, the City and employees each contributed $98,186. The total covered payroll of employees participating in the plan for the year ended June 30, 2017, was $2,618,290. The total payroll for the year was $41,553,242.

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS

At June 30, 2017, net OPEB liability and related deferred outflows of resources and deferred inflows of resources are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Net difference between projected and actual earnings on plan investments	$772,668	$7,332	$780,000
Employer contributions made subsequent to the measurement date	3,442,156	32,844	3,475,000
Total deferred outflows of resources	$4,214,824	$40,176	$4,255,000
Net OPEB liabilities:	$33,466,002	$318,998	$33,785,000
Total net OPEB liabilities	$33,466,002	$318,998	$33,785,000

Plan Description

The City provides certain health care benefits for retired employees and their spouses under a cost sharing defined benefit plan. The benefit provisions were established under the authority of the 1937 Act, Section 31450, et. seq. of the Government Code. Employees who meet the vesting criteria become eligible for these benefits if they receive a retirement benefit from the Marin County Employees' Retirement Association within 120 days of retirement from City employment. At June 30, 2017, 684 retirees and surviving spouses received post-employment health care benefits.

The provisions and benefits of the City's Other Post Employment Benefit Plan, in effect at June 30, 2017, are summarized as follows:

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

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

Membership in the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Active plan members	336
Inactive employees or beneficiaries currently receiving benefit payments	0
Inactive employees entitled to but not yet receiving benefit payments	348
Total	684

Funding Policy and Actuarial Assumptions

During the fiscal year ended June 30, 2017, the City elected to early implement GASB 75, *"Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions"*. This Statement replaces the requirements of Statement No. 45 and establishes new accounting and financial reporting requirements for OPEB plans. As a result, the funding policy and actuarial assumptions presented include elements of both the historical approach and the revised approach under GASB 75.

Under GASB 45, the City's funding policy requires a minimum annual contribution equivalent to the annual required contribution (ARC). Under GASB 75, this changes to an actuarial determined contribution which is made up of additional components including deferred outflows of resources and deferred inflows of resources.

The ARC was determined as part of a June 30, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.5% investment rate of return and (b) 2.75% of general inflation increase, and (c) a healthcare trend of declining annual increases ranging from 6.7% in 2015 to 4.5% for the years starting 2021. In addition, the fixed dollar benefit amounts are assumed to be held flat in the future and the premium related benefits are assumed to increase with the healthcare trend rate.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and plan members at that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biennially as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 19-year fixed (closed) period for June 30, 2016 in its June 30, 2015 actuarial valuation.

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Rate of Return (with the effect of inflation)
Public Equity	57%	5.96%	8.71%
Fixed Income	27%	2.65%	5.40%
TIPS	5%	2.50%	5.25%
Commodities	3%	5.20%	7.95%
REITs	8%	8.13%	10.88%
Total	100%		

Assumed Long-Term Rate of Inflation	2.75%
Assumed Long-Term Investment Expenses	n/a
Expected Long-Term Net Rate of Return	7.28%
Discount Rate	7.25%

The Expected Long-Term Rate of Return is provided by CalPERS' Strategic Asset Allocation Overview in August 2011 – Strategy 1.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using the strategy to achieve the expected return.

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

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, 2015 (Valuation Date)	$48,226,000	$15,608,000	$32,618,000
Changes Recognized for the Measurement Period:			
Service Cost	766,000		766,000
Interest on the total OPEB liability	3,447,000		3,447,000
Changes in benefit terms			
Difference between expected and actual experience			
Changes of assumptions			
Contributions from the employer		2,896,000	(2,896,000)
Net investment income		157,000	(157,000)
Administrative expenses		(7,000)	7,000
Benefit payments and refunds	(2,896,000)	(2,896,000)	-
Net Changes during July 1, 2015 to June 30, 2016	1,317,000	150,000	1,167,000
Balance at June 30, 2016 (Measurement Date)	$49,543,000	$15,758,000	$33,785,000

The benefit payments and refunds includes implied subsidy benefit payments in the amount of $702,000.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1% (6.25%)	Current Discount Rate (7.25%)	Discount Rate +1% (8.25%)
$39,500,000	$33,785,000	$28,996,000

Sensitivity of the net OPEB liability to changes in the health care cost trend rates

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Healthcare Cost Trend Rates	Discount Rate +1%
$30,786,000	$33,785,000	$37,160,000

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report.

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

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

Components of OPEB Expense for fiscal year 2016-2017 were as follows:

Service Cost	$766,000
Interest on Total OPEB Liability	3,447,000
Projected earning on investments	(1,132,000)
Employee contributions	-
Administrative expense	7,000
Change in benefits	-
Recognition of deferred outflows/inflows:	
Experience	-
Assumptions	-
Asset Returns	195,000
OPEB Expense	$3,283,000

Components of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017 were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$780,000	
Employer contributions made subsequent to the measurement date	3,475,000	
Total	$4,255,000	

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life for the 2015-16 measurement period is 4.0 years.

$3,475,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement Period Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$195,000	
2019	195,000	
2020	195,000	
2021	195,000	
Thereafter		
	$780,000	

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

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

Summary of Results		
Description	Measurement Date June 30, 2016	Measurement Date June 30, 2015
Net OPEB Liability	$33,785,000	$32,618,000
Deferred Inflows	-	-
Deferred Outflows	(780,000)	-
Impact on Net Position before deferred contributions	33,005,000	32,618,000
Additional Deferred Outflows - Contributions subsequent to measurement date	(3,475,000)	-
Impact on Statement of Net Position before Allocations	29,530,000	32,618,000
Allocation of NOL to SRSD	1,034,395	1,002,000
Allocation of Deferred Inflows (measurement date) to SRSD	-	-
Allocation of Deferred Outflows (measurement date) to SRSD	(23,881)	-
Impact on Net Position before deferred contributions to SRSD	1,010,514	1,002,000
Allocation of Additional Deferred Outflows (contributions) to SRSD	(106,394)	-
Long-Term Receivable from SRSD, due to OPEB obligations (see Note 4H)	904,120	1,002,000
Impact on Statement of Net Positions, net of receivable from SRSD	28,625,880	31,616,000
OPEB Expense ($ Amount)	3,283,000	2,148,000
Covered Payroll ($ Amount)	31,106,000	32,906,000

Actuarial data is comprised from a variety of complex inputs. It is therefore subject to change between measurement dates. As a result, the Net OPEB Liability used to calculate the SRSD allocation percentage in fiscal year ended June 30, 2016 ($32,727,000) varies slightly from the figure reported in the actuarial report dated June 30, 2017 ($32,618,000) by $109,000.

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

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

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

The MARINet Library Consortium was formed to provide for the procurement, ownership, operation, maintenance, and governance of shared library services among the libraries, public and academic, in Marin County. Current services shared and paid for on a consortial level through annual membership dues include an integrated library system including patron database, cataloging system, and online catalog of materials; delivery of items between libraries in Marin, a statewide library delivery service called Link+, numerous online resources, and more. The Governing Board of the System consists of the library director or designated alternate of each participant in the System. In accordance with the cost sharing formula developed by the library directors of the participants, the City's share of annual operating costs is 16.44% or $221,318 for the year ended June 30, 2017. Financial statements of the System can be obtained from the County Librarian, Marin County Free Library, Marin County Civic Center, 3501 Civic Center Drive, San Rafael, California 94903.

B. The Marin General Services Authority (MGSA)

The MGSA was formed by the County of Marin and twelve local agencies to acquire street light facilities, operate the facilities during an eminent domain action against PG&E, and coordinate the subsequent transfer of the facilities to the individual local agencies. Each of the local agency's share of contributions was based on the number of street lights to be acquired in the local agency's individual jurisdiction in relation to the total number of street lights to be acquired by the MSLAJPA. MGSA services now include street light maintenance, abandoned vehicle abatement, taxicab regulation and administrative responsibility for MarinMap. The City's contribution to MGSA was $3,134 for the year ended June 30, 2017. Financial statements of the MGSA can be obtained at 555 Northgate Drive, Suite 230, San Rafael, California 94903.

C. The Marin Emergency Radio Authority (MERA)

MERA was formed on February 28, 1998, by the County of Marin and 25 local agencies within the County to plan, finance, implement, manage, own, and operate a County-wide public safety and emergency radio system. The Governing Board consists of one representative from each member. On February 1, 1999, the Authority issued the 1999 Revenue Bonds in the amount of $26,940,000 with interest rates ranging from 4.75% to 5.01%, maturing on August 15, 2016, to finance the acquisition and installation of the system. The costs of maintenance, operation, and debt service are divided on a pro rata share based on an agreed-upon formula established by a majority of the Governing Board. The members entered into a Project Operating Agreement on February 1, 1999.

Under the Operating Agreement, members are obligated to contribute service payments to cover the Authority's operation and debt service. The City's portion of the obligation is 16.913%. The first operating service payment was in July 1999. The first debt service payment was in August 2002. The City contributed $314,161 of the Authority's operation and debt service for the fiscal year ended June 30, 2017. The City has established a reserve in its internal service funds to pay future service payments. Financial statements of the MERA can be obtained at 95 Rowland Way, Novato, California 94945.

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. The Countywide Planning Agency

The Agency was established on October 16, 1990, by the County of Marin and the cities of Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon to implement countywide performance standards for traffic, housing, water and sewer facilities, and environmental protection to ensure that residential and commercial growth does not exceed local water, sewer and transportation capacities. The Governing Board of the Countrywide Planning Agency consists of one member of the County Board of Supervisors and one member of the City Council of each participating city. Financial statements of the Agency can be obtained at 3501 Civic Center Drive, San Rafael, California 94903.

E. The Marin Telecommunications Agency

The Agency was established to regulate the rates for cable television service and equipment and to advise the participants of their license authority. The Governing Board of the Marin Telecommunications Agency consists of one member from each of the eleven participating agencies. The City's contribution to the Agency was $32,134 for the year ended June 30, 2017. Financial statements of the Agency can be obtained at 555 Northgate Drive, Suite 230, San Rafael, California 94903.

F. The Marin County Hazardous and Solid Waste Joint Powers Authority

The Authority was established by the County, local cities, and waste franchising districts to finance, prepare and implement source reduction and recycling elements on a county-wide integrated waste management plan as required by State Assembly Bill 939. The City's contribution to the Authority was $17,849 for the year ended June 30, 2017. Financial statements of the Authority can be obtained at 3501 Civic Center Drive, San Rafael, California 94903.

G. Central Marin Sanitation Agency (CMSA)

In October 1979, the District entered into a joint powers agreement with three neighboring sanitation agencies in central Marin County forming the Central Marin Sanitation Agency (CMSA). CMSA serves as a regional wastewater treatment plant for its four member agencies and San Quentin Prison (SQ) and is governed by a six-member Board of Commissioners, two appointed by the Board of Directors of the San Rafael Sanitation District (SRSD), two appointed by the Board of Directors of the San Rafael Sanitation District No. 1 (SD 1), one appointed by the governing board of Sanitary District No. 2 (SD 2), and one appointed by the City Council of the City of Larkspur (Larkspur).

Total project costs for the joint venture were funded from federal (75%) and state (12.5%) clean water grants and from local shares (12.% total) allocated among the member agencies and SQ based upon the weighted average of the strength and volume of sewage flows per member at inception of the project. Final individual local shares of total project costs were approximately $7.6 million for SRSD, $6.3 million for SD 1, $1.6 million for SD 2, $1 million for Larkspur, and $1.4 million for SQ. CMSA derives its annual funding for its operations and capital programs almost exclusively from service charges to member agencies. The joint powers agreement does not provide an explicit measurable right as required to establish an equity interest for any of the joint venture participants, and in addition to, stipulates that all excess capital funds, if any, and all excess administration, operations and maintenance funds from whatever source, if any, are the property of CMSA.

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

The financial statements of the Agency are available at the CMSA office. Condensed financial information for the Agency is presented below for June 30, 2016 and 2015, the most recent information available.

	2016	2015
Total assets	$106,391,299	$109,050,874
Deferred outflows of resources	2,092,186	936,613
Total liabilities	(60,370,523)	(62,387,928)
Deferred inlows of resources	(2,487,504)	(2,254,404)
Net position	$45,625,458	$45,345,155
Total revenues	$16,952,527	$17,873,113
Total expenses	(16,834,929)	(16,220,247)
Total contributions and adjustments	162,705	415,845
Prior period adjustment - GASB 68	-	(7,278,030)
Change in net position	$280,303	(5,209,319)

NOTE 13 - RISK MANAGEMENT

A. *City*

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

Risk Coverage

Liability Coverage

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to $40,000,000. The purpose of CJPRMA is to spread the adverse effects of general liability losses among the member agencies. The City also purchases commercial insurance for property damage claims with an insured amount of $119,773,465. The City is self-insured up to $500,000 for each general liability claim and $25,000 for each property damage claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all liability claims up to the limit. During the fiscal year ended June 30, 2017, the City contributed $278,096 for coverage during the current year and received a refund of $49,910 of prior year excess contributions. Five years after settlement of all claims for a program year, CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves. Financial statements for the risk pools may be obtained from CJPRMA at 3201 Doolan Road, Suite 285, Livermore, California 94551.

Workers' Compensation Coverage

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

NOTE 13 - RISK MANAGEMENT (Continued)

Insurance Internal Service Funds and Financial Reporting

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

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured general liability claims and workers' compensation claims, including claims incurred but not reported, are reported in the Statements of Net Position.

	General Liability *	Workers' Compensation **	Totals, as of June 30 2017	2016
Balance, beginning of year	$2,543,655	$6,044,911	$8,588,566	$7,319,418
Current year claims and changes in estimates	696,685	1,181,591	1,878,276	3,111,209
Claims paid	(658,811)	(1,060,693)	(1,719,504)	(1,842,061)
Balance, end of year	$2,581,529	$6,165,809	$8,747,338	$8,588,566
Due in one year	$1,226,194	$1,427,094	$2,653,288	$2,129,125
Due in more than one year	1,355,335	4,738,715	6,094,050	6,459,441
Total claim liabilities	$2,581,529	$6,165,809	$8,747,338	$8,588,566

* Liability based on an actuarial valuation as of December 31, 2015, extrapolated to June 30, 2016
** Liability based on an actuarial valuation as of February 29, 2016, extrapolated to June 30, 2016

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

B. District

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

NOTE 13 - RISK MANAGEMENT (Continued)

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

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

The following summarizes active insurance policies as of June 30, 2017 together with coverage limits for each insured event:

Insurance Program	Limits	Coverage Description
CSRMA - Allied World Ins.	$3,000,000	Gen/Mgt liability - aggregate
CSRMA - Allied World Ins.	$1,000,000	Gen/Mgt liability - occurrence
CSRMA - Allied World Ins.	$1,000,000	Auto liability - accident
CSRMA - Allied World Ins.	$4,000,000	Excess liability
CSRMA - Public Entity Property Insurance Program (P.E.P.I.P.)	$12,157,866	Special form property
CSRMA - Illinois Union Ins.	$25,000,000	Pollution liability - tier 1
CSRMA - Illinois Union Ins.	$2,000,000	Pollution liability - tier 2
CSRMA - Lloyds of London	$2,000,000	Cyber liability - third party
CSRMA - Lloyds of London	$2,000,000	Cyber liability - third party
CSRMA - Travelers Ins.	$25,000	Identity theft

The financial statements of CSRMA are available at their office: 100 Pine Street, 11th Floor, San Francisco, CA 94111. Condensed financial information for CSRMA is presented below for the years ended June 30, 2016 and 2015 (latest information available).

	2016	2015
Assets	$28,336,567	$27,418,098
Liabilities	(16,735,609)	(16,714,638)
Net assets	$11,600,958	$10,703,460
Revenues	$11,843,583	$10,895,632
Expenses	(10,946,085)	(11,157,866)
Increase (decrease) in net assets	$897,498	($262,234)

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. City

Litigation

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City as of June 30, 2017.

Major Contracts

In April 2017, the City entered into a construction contract for $19,940,000 for the major construction and renovation of two fire stations. The contract amount was reduced shortly thereafter to its current sum of $19,098,834. The funding for this project comes from a combination of funds set aside in the General Fund and future General Fund revenues attributable to the Measure E Transactions and Use Tax. It is highly likely that some form of debt financing will be required during fiscal year 2017-2018 to meet the cashflow requirements of this project.

B. District

As of June 30, 2017, SRSD had several contracts for sewer improvement projects with remaining obligations of approximately $1,300,000, with the majority expected to be completed within the 2017/18 fiscal year.

NOTE 15 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES

A. Redevelopment Dissolution

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

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

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

NOTE 15 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

The City elected to become the Successor Agency to the Redevelopment Agency, and on February 1, 2012, the Redevelopment Agency's remaining net assets were distributed to the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 2, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members.

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

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

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

B. Redevelopment Property Tax Trust Fund (RPTTF)

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

C. Long-Term Debt

1999 Tax Allocation Bonds and Capital Appreciation Bonds

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

NOTE 15 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

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

The Capital Appreciation Bonds mature annually after December 1 from 2018 to 2022, in amounts ranging from $1,440,000 to $2,070,000 and bear interest at rates from 5.58% to 5.60%. Interest on the Capital Appreciation Bonds will compound on each interest premium date and will be payable solely at maturity. The bonds are secured, on parity with the 1992 and 1995 bonds (refunded in 2002), by a pledge and a lien on tax revenues and amounts on deposit in certain funds and accounts held by the fiscal agent.

2002 Tax Allocation Refunding Bonds

On October 9, 2002, the former Agency issued Tax Allocation Refunding Bonds in the amount of $25,020,000. The proceeds of the bonds were used to refund the 1992 Tax Allocation Refunding Bonds and the 1995 Tax Allocation Bonds. The Bonds mature annually each December 1 from 2002 to 2022, in amounts ranging from $540,000 to $1,920,000 and bear interest at rates ranging from 2.00% to 5.25%. Interest is payable semiannually on June 1 and December 1. The Bonds maturing on or after December 1, 2013, are subject to optional redemption prior to maturity, in whole or in part, and by lot within any one maturity, prior to their respective maturity dates, on any date on or after December 1, 2012, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable from tax revenues to be derived from the redevelopment activities of the former Agency related to the Central San Rafael Redevelopment Project Area.

2009 Tax Allocation Refunding Bonds

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

The Series 2009 Bonds maturing on or before December 1, 2019, are not subject to optional redemption prior to their respective stated maturities. The Series 2009 Bonds maturing on or after December 1, 2020, are subject to optional redemption as a whole or in part either on a pro rata basis among maturities or in inverse order of maturity, and by lot within any one maturity, prior to their respective maturity dates, at the option of the Agency, on any date on or after December 1, 2019, at a price equal to the principal amount of such Series 2009 Bonds called for redemption, together with interest accrued on the date fixed for redemption, without premium.

The former Agency pledged all future tax increment revenues for the repayment of the 1999 Capital Appreciation Bonds, and the 2002 and 2009 Tax Allocation Refunding Bonds. The pledge of all future tax increment revenues ends upon repayment of $18.9 million in remaining debt service on the Bonds, which is scheduled to occur in 2023. For fiscal year June 30, 2017, tax increment revenues amounted to $4.2 million which was used to make the debt service payments of $3.6 million.

NOTE 15 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

The following table summarizes the activity for the fiscal year ended June 30, 2017:

	Authorized and Issued	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
San Rafael Redevelopment Agency						
1999 Tax Allocation Bonds						
Capital Appreciation Bonds						
5.58%-5.6%, due 12/1/2022	$2,389,004	$6,074,097	$344,411		$6,418,508	
2002 Tax Allocation Refunding Bonds						
2.00%-5.25%, due 12/1/2021	25,020,000	6,060,000		$1,830,000	4,230,000	$1,920,000
2009 Tax Allocation Refunding Bonds						
3.00%-5.00%, due 12/1/2022	14,660,000	8,905,000		1,100,000	7,805,000	1,160,000
Add: deferred bond premium costs		559,023		79,861	479,162	
Total Successor Agency Long-term Debt		$21,598,120	$344,411	$3,009,861	$18,932,670	$3,080,000

Debt Service Requirements

Annual debt service requirements are shown below:

For the Year Ended June 30	Governmental Activities Principal	Interest
2018	$3,080,000	$484,026
2019	3,229,081	370,676
2020	3,309,082	297,019
2021	3,389,231	214,175
2022	3,404,749	120,819
2023	3,586,374	36,500
Totals	$19,998,517	$1,523,215
Reconciliation of long-term debt:		
Less unaccreted discount	($1,545,009)	
Add deferred bond premium costs	479,162	
	$18,932,670	

NOTE 15 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

D. Other Long-Term Obligations

During the fiscal year ending June 30, 2013, the San Rafael Successor Agency Oversight Board approved two personnel-related obligations of the former Redevelopment Agency. On August 30, 2012, the Oversight Board approved the inclusion of $1,904,431, representing the unfunded pension liability attributable to former Redevelopment Agency employees; the repayment is being made in ten equal, annual installments. On February 26, 2013, the Oversight Board approved the inclusion of $502,000, representing the unfunded OPEB (retiree medical) liability attributable to former Redevelopment Agency employees; the repayment is being made in nine equal, annual installments.

On March 27, 2017, the California State Department of Finance notified the Successor Agency of its determination that Other Post Employment Benefit Obligations (OPEB) would not be allowed. The last approved payment of $55,778, which was received in June 2017, brought the remaining balance to $298,888. This amount was removed from the schedule of obligations of the Successor Agency as of June 30, 2017.

The following table summarizes the activity for the fiscal year ended June 30, 2017:

	Approved Amount	Balance June 30, 2016	Additions	Retirements	Debt Cancelled	Balance June 30, 2017
Unfunded Pension Liability	$1,904,431	$952,216		$190,443		$761,773
Unfunded OPEB Obligation	502,000	354,666		55,778	$298,888	
Total Long-Term Obligations		$1,306,882		$246,221	$298,888	$761,773

Annual repayment requirements are shown below:

For the Year Ended June 30	Principal
2018	$190,443
2019	190,443
2020	190,443
2021	190,444
Totals	$761,773

E. Commitment and Contingencies

State Approval of Enforceable Obligation

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. As of June 30, 2017, the Successor Agency had prepared ten ROPS, all of which have been approved by the Oversight Board and the California Department of Finance. The Department of Finance has stated that all items on a future ROPS are subject to a subsequent review. The amount, if any, of current obligations that may be denied by the Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 16 – SUBSEQUENT EVENT

Energy Efficiency Loan and Master Service Agreement

On September 5, 2017, the City Council authorized a loan agreement with the California Energy Commission for various energy efficient system upgrades to City facilities and street lights. At the same time, the City Council approved a master services agreement with Pacific Gas and Electric Company to perform these system upgrades in a total amount not to exceed $1,178,813. The loan terms provide for annual interest of 1% on the outstanding balance. Disbursement of the loan is expected in July 2019, with semi-annual repayment beginning in December 2020 and terminating in December 2027. The planned source of repayment will be energy cost savings that result from the improvements.

SAN RAFAEL

THE CITY WITH A MISSION

REQUIRED SUPPLEMENTARY INFORMATION

SAN RAFAEL

THE CITY WITH A MISSION

Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 years*

	6/30/2015	6/30/2016	6/30/2017
City's proportionate share	30.0453%	36.7394%	34.9538%
Proportionate share of total pension liability	$677,753,565	$907,195,058	$900,629,287
Proportionate share of fiduciary net position	603,499,779	764,871,931	733,574,437
Proportionate share of the net pension liability	$74,253,786	$142,323,127	$167,054,850
Plan fiduciary net position as a percentage of the total pension liability	89.04%	84.31%	81.45%
Covered payroll	$31,429,178	$31,106,414	$32,126,272
Net pension liability as a percentage of covered payroll	236.26%	457.54%	519.99%

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

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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

		2015
Contractually required contribution	$	17,802,358
Contributions in Relation to the Contractually required contribution		17,802,358
Contribution Deficiency/ (Excess)	$	-
Covered payroll	$	31,106,414
Contributions as a percentage of covered payroll		57.23%

Notes to Schedule

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

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

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

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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

		2016
Contractually required contribution	$	19,339,577
Contributions in Relation to the Contractually required contribution		19,339,577
Contribution Deficiency/ (Excess)	$	-
Covered payroll	$	32,126,272
Contributions as a percentage of covered payroll		60.20%

Notes to Schedule

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

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

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

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

	2017
Contractually required contribution	$ 20,003,001
Contributions in Relation to the Contractually required contribution	20,003,001
Contribution Deficiency/ (Excess)	$ -
Covered payroll	$ 32,885,135
Contributions as a percentage of covered payroll	60.83%

Notes to Schedule

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

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

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

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)

Measurement period		2015-16
Total OPEB liability		
Service cost	$	766,000
Interest		3,447,000
Differences between expected and actual experience		-
Assumption changes		-
Benefit payments, including refunds of employee contributions		(2,896,000)
Net change in total OPEB liability		1,317,000
Total OPEB liability - beginning		48,226,000
Total OPEB liability - ending (a)	$	49,543,000
OPEB fiduciary net position		
Contributions - employer	$	2,896,000
Net investment income		157,000
Benefit payments, including refunds of employee contributions		(2,896,000)
Administrative expense		(7,000)
Net change in plan fiduciary net position		150,000
Plan fiduciary net position - beginning		15,608,000
Plan fiduciary net position - ending (b)	$	15,758,000
Plan net OPEB liability - ending (a) - (b)	$	33,785,000
Plan fiduciary net position as a percentage of the total OPEB liability		31.81%
Covered-employee payroll	$	31,106,000
Plan net OPEB liability as a percentage of covered-employee payroll		108.61%

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

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)

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

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

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

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

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

GENERAL FUND AND MAJOR SPECIAL REVENUE FUND BUDGET-TO-ACTUAL STATEMENTS

GASB Statement No. 34 dictates that budget-to-actual information in the basic financial statements should be limited to the General Fund and major Special Revenue Funds. This section is provided for the presentation of Budget-to-Actual Statements for the General Fund, Traffic and Housing Mitigation, and the Gas Tax Special Revenue Funds.

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

CITY OF SAN RAFAEL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes and special assessments	$65,690,000	$64,563,000	$64,242,440	($320,560)
Licenses and permits	2,361,000	2,511,000	2,559,841	48,841
Fines and forfeitures	483,000	448,000	400,283	(47,717)
Use of money and properties	288,000	288,000	229,791	(58,209)
Intergovernmental	3,104,005	3,042,000	2,767,092	(274,908)
Charges for services	2,550,000	2,869,000	2,459,680	(409,320)
Other revenue	466,000	396,000	706,657	310,657
Total Revenues	74,942,005	74,117,000	73,365,784	(751,216)
EXPENDITURES				
Current:				
General government	9,512,718	10,941,401	10,190,580	750,821
Public safety	41,610,680	40,958,109	40,844,246	113,863
Public works and parks	11,144,863	10,943,588	11,201,655	(258,067)
Community development	4,013,962	4,154,885	3,759,564	395,321
Culture and recreation	3,076,042	3,076,042	3,077,435	(1,393)
Capital outlay	90,690			
Debt service:				
Principal	175,172	175,172	175,172	
Interest and fiscal charges	276,513	276,513	271,263	5,250
Total Expenditures	69,900,640	70,525,710	69,519,915	1,005,795
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,041,365	3,591,290	3,845,869	254,579
OTHER FINANCING SOURCES (USES)				
Transfers in	1,212,520	1,382,303	1,382,303	
Transfers out	(5,976,091)	(7,213,543)	(7,213,543)	
Total Other Financing Sources (Uses)	(4,763,571)	(5,831,240)	(5,831,240)	
Net Change in Fund Balances	$277,794	($2,239,950)	(1,985,371)	$254,579
FUND BALANCES, BEGINNING OF YEAR			18,689,803	
FUND BALANCES, END OF YEAR			$16,704,432	

CITY OF SAN RAFAEL
TRAFFIC AND HOUSING MITIGATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Use of money and properties	$36,400	$36,400	$31,267	($5,133)
Charges for services	600,000	715,000	204,210	(510,790)
Total Revenues	636,400	751,400	235,477	(515,923)
EXPENDITURES				
Current:				
General government	80,000	80,000	22,450	57,550
Capital improvement/special projects		4,570,733	1,745,154	2,825,579
Total Expenditures	80,000	4,650,733	1,767,604	2,883,129
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	556,400	(3,899,333)	(1,532,127)	2,367,206
OTHER FINANCING SOURCES (USES)				
Transfers In		228,400	228,400	
Total Other Financing Sources (Uses)		228,400	228,400	
Net Change in Fund Balances	$556,400	($3,670,933)	(1,303,727)	$2,367,206
FUND BALANCES, BEGINNING OF YEAR			10,439,157	
FUND BALANCES, END OF YEAR			$9,135,430	

CITY OF SAN RAFAEL
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Use of money and properties	$23,000	$23,000	$24,527	$1,527
Intergovernmental	1,903,385	4,028,385	3,728,982	(299,403)
Charges for services	1,043,600	1,043,600	1,149,022	105,422
Other revenue			62,314	62,314
Total Revenues	2,969,985	5,094,985	4,964,845	(130,140)
EXPENDITURES				
Current:				
General government	43,676	43,676		43,676
Public works and parks	3,109,442	3,781,238	2,643,991	1,137,247
Capital outlay		5,508,565	1,641,317	3,867,248
Capital improvement/special projects	309,102	481,702	305,704	175,998
Total Expenditures	3,462,220	9,815,181	4,591,012	5,224,169
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(492,235)	(4,720,196)	373,833	5,094,029
OTHER FINANCING SOURCES (USES)				
Transfers in		325,000	325,000	
Transfers out	(400,000)	(628,400)	(628,400)	
Total Other Financing Sources (Uses)	(400,000)	(303,400)	(303,400)	
Net Change in Fund Balances	($892,235)	($5,023,596)	70,433	$5,094,029
FUND BALANCES, BEGINNING OF YEAR			6,653,263	
FUND BALANCES, END OF YEAR			$6,723,696	

SUPPLEMENTARY INFORMATION

CITY OF SAN RAFAEL
ESSENTIAL FACILITIES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Other revenue			$635,387	$635,387
Total Revenues			635,387	635,387
EXPENDITURES				
Capital improvement/special projects	$4,040,000	$6,052,841	6,052,841	
Total Expenditures	4,040,000	6,052,841	6,052,841	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,040,000)	(6,052,841)	(5,417,454)	635,387
OTHER FINANCING SOURCES (USES)				
Transfers in	4,040,000	5,417,454	5,417,454	
Total Other Financing Sources (Uses)	4,040,000	5,417,454	5,417,454	
Net Change in Fund Balances		($635,387)		$635,387
FUND BALANCES, BEGINNING OF YEAR				
FUND BALANCES, END OF YEAR				

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pt. San Pedro Maintenance Portion Special Revenue Fund – Established to account for ongoing maintenance needs within the Pt. San Pedro assessment district.

Low and Moderate Income Housing Special Revenue Fund – Established to account for the activities related to the assets assumed by the City as Housing Successor to the San Rafael Redevelopment Agency for the housing activities of the former Redevelopment Agency.

Measure A Open Space Special Revenue Fund – Established to account for the use of proceeds distributed by the County of Marin from Measure A, as well as other supplementary matching or City-funding for the operation or maintenance of open space, park or recreation lands.

DEBT SERVICE FUNDS

Peacock Gap Assessment District Fund – Established to accumulate funds for the payment of principal and interest for the 1993 Bonds which matured in 2005. The proceeds were used to refund the 1984 Bonds, which provided for the construction of public improvements in the project area. Financing is to be provided by property tax increments generated within the specific geographic region described by the bond assessment district.

Mariposa Assessment District Fund - Established to accumulate funds for the payment of principal and interest for the 1993 Bond, which matured in 2008. The proceeds were used to finance the grading and paving of Mariposa Road.

1997 Financing Authority Revenue Bonds Fund – Established to accumulate funds for the payment of principal and interest for the 1997 Revenue Bonds which matured in 2011. The proceeds were used to purchase the previously issued special assessment bonds. Financing is to be provided by property tax increments generated within the specific geographic region described by the bond assessment district.

CAPITAL PROJECTS FUNDS

Capital Improvement Fund – Established for the costs associated with major capital improvement projects not tied to specific funds elsewhere. Improvements could include medians, parkways, sidewalks, and other public assets.

Bedroom Tax Fund – Established to collect funds from multiple-unit housing used to pay for maintaining and developing parks within local neighborhoods.

Assessment Districts Fund – Established to account for ongoing construction and improvement needs within the following assessment districts: Peacock Gap, Kerner Boulevard, Sun Valley/Lucas Valley Open Space, East San Rafael Drainage Assessment District 1.

Park Capital Projects Fund – Established to account for capital improvements for all City owned parks, whether paid for by City funds, grants, donations, or partnership with the community.

Open Space Fund – Established for the acquisition of open space.

SAN RAFAEL

THE CITY WITH A MISSION

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Loch Lomond Assessment District
ASSETS					
Cash and investments	$556,856	$238,169	$294,058	$1,374,316	$701,449
Restricted cash and investments					
Receivables:					
Accounts	169,289		296,864		
Taxes		157			97
Grants				40,594	
Interest					
Loans					
Prepaids	472			3,670	
Total Assets	$726,617	$238,326	$590,922	$1,418,580	$701,546
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$240,937		$118,443	$48,436	$41,280
Deposits payable					
Developer deposits payable			159,114		
Deferred revenue	367,589				
Total Liabilities	608,526		277,557	48,436	41,280
Fund Balances:					
Restricted	118,091	$238,326	313,365	1,370,144	660,266
Committed					
Assigned					
Total Fund Balances	118,091	238,326	313,365	1,370,144	660,266
Total Liabilities and Fund Balances	$726,617	$238,326	$590,922	$1,418,580	$701,546

SPECIAL REVENUE FUNDS

Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication
$641,059	$687,806	$138,261	$212,794	$703,392	$702,855	$457,538
		21,000				
			17,829			
					53,152	
432						
$641,491	$687,806	$159,261	$230,623	$703,392	$756,007	$457,538
$9,426	$20,234	$761	$41,536	$12,530	$2,886	$8,350
				6,076		
				1,500		
9,426	20,234	761	41,536	20,106	2,886	8,350
632,065	667,572	$158,500	189,087	683,286	753,121	449,188
632,065	667,572	158,500	189,087	683,286	753,121	449,188
$641,491	$687,806	$159,261	$230,623	$703,392	$756,007	$457,538

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS				
	Emergency Medical Services	Business Improvement	Pt. San Pedro Maintenance Portion	Low and Moderate Income Housing	Measure A Open Space
ASSETS					
Cash and investments	$1,494,455	$22,958	$153,108	$679,950	$199,727
Restricted cash and investments					
Receivables:					
Accounts	359,679				
Taxes	25,903		459		218,273
Grants					
Interest				334	
Loans				230,066	
Prepaids					
Total Assets	$1,880,037	$22,958	$153,567	$910,350	$418,000
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$135,507	$22,958	$2,284		$48,765
Deposits payable					
Developer deposits payable					
Deferred revenue					
Total Liabilities	135,507	22,958	2,284		48,765
Fund Balances:					
Restricted	1,744,530		151,283	910,350	369,235
Committed					
Assigned					
Total Fund Balances	1,744,530		151,283	910,350	369,235
Total Liabilities and Fund Balances	$1,880,037	$22,958	$153,567	$910,350	$418,000

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			
Peacock Gap Assessment District	Mariposa Assessment District	1997 Financing Authority Revenue Bonds	Capital Improvement	Bedroom Tax	Assessment Districts	Park Capital Projects
$2,875	$16,573	$147,797	$2,864,858	$76,845	$223,742	$27,936
			625,123		77,038	
			29,835			
			1,658			
$2,875	$16,573	$147,797	$3,521,474	$76,845	$300,780	$27,936
			$57,702			
			57,702			
$2,875	$16,573	$147,797		$76,845	$300,780	
			3,463,772			$27,936
2,875	16,573	147,797	3,463,772	76,845	300,780	27,936
$2,875	$16,573	$147,797	$3,521,474	$76,845	$300,780	$27,936

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2017

	CAPITAL PROJECTS FUNDS	
	Open Space	Total Non-Major Governmental Funds
ASSETS		
Cash and investments	$115,103	$12,734,480
Restricted cash and investments		702,161
Receivables:		
Accounts		846,832
Taxes		262,718
Grants		123,581
Interest		1,992
Loans		230,066
Prepaids		4,574
Total Assets	$115,103	$14,906,404
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable		$812,035
Deposits payable		6,076
Developer deposits payable		160,614
Deferred revenue		367,589
Total Liabilities		1,346,314
Fund Balances:		
Restricted		9,953,279
Committed		3,491,708
Assigned	$115,103	115,103
Total Fund Balances	115,103	13,560,090
Total Liabilities and Fund Balances	$115,103	$14,906,404

SAN RAFAEL

THE CITY WITH A MISSION

CITY OF SAN RAFAEL
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Loch Lomond Assessment District
REVENUES					
Taxes and special assessments		$25,368			$15,606
Use of money and properties	$1,477	760	$180	$4,177	2,334
Intergovernmental	10,097			329,232	
Charges for services	3,129,356		156,434	3,724,353	
Other revenue	16,149		1,125	11,939	
Total Revenues	3,157,079	26,128	157,739	4,069,701	17,940
EXPENDITURES					
Current:					
General government					
Public safety			93,013		
Public works and parks		5,722			48,618
Culture and recreation	4,798,373			3,853,401	
Capital outlay					
Capital improvement/special projects	16,994				
Total Expenditures	4,815,367	5,722	93,013	3,853,401	48,618
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,658,288)	20,406	64,726	216,300	(30,678)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,750,000				
Transfers out					
Total Other Financing Sources (Uses)	1,750,000				
Net Change in Fund Balances	91,712	20,406	64,726	216,300	(30,678)
Fund Balance, Beginning	26,379	217,920	248,639	1,153,844	690,944
Fund Balance, Ending	$118,091	$238,326	$313,365	$1,370,144	$660,266

SPECIAL REVENUE FUNDS

Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication
	$868,481					
$2,135	2,302	$130	$548	$33,615	$1,592	$1,620
1,000		89,053			1,002,826	
7,067		1,860	903,910			39,360
3,020		74,762	20,228		23,106	1,500
13,222	870,783	165,805	924,686	33,615	1,027,524	42,480
			5,997	26,606	182,778	
		276,387			582,235	
			782,590			30,072
10,049	907,470					
6,996		4,936	908,171			92,704
17,045	907,470	281,323	1,696,758	26,606	765,013	122,776
(3,823)	(36,687)	(115,518)	(772,072)	7,009	262,511	(80,296)
		100,000			46,089	37,761
				(325,000)	(169,783)	
		100,000		(325,000)	(123,694)	37,761
(3,823)	(36,687)	(15,518)	(772,072)	(317,991)	138,817	(42,535)
635,888	704,259	174,018	961,159	1,001,277	614,304	491,723
$632,065	$667,572	$158,500	$189,087	$683,286	$753,121	$449,188

(Continued)

CITY OF SAN RAFAEL
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS				
	Emergency Medical Services	Business Improvement	Pt. San Pedro - Maintenance Portion	Low and Moderate Income Housing	Measure A Open Space
REVENUES					
Taxes and special assessments	$5,485,637		$74,084		$437,170
Use of money and properties	7,729		508	$2,445	973
Intergovernmental	121,517				
Charges for services	1,506,437				
Other revenue	220,984			59,375	
Total Revenues	7,342,304		74,592	61,820	438,143
EXPENDITURES					
Current:					
General government	47,978			81,027	
Public safety	7,114,323				107,949
Public works and parks			89,980		205,179
Culture and recreation					
Capital outlay					
Capital improvement/special projects					
Total Expenditures	7,162,301		89,980	81,027	313,128
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	180,003		(15,388)	(19,207)	125,015
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out					(118,036)
Total Other Financing Sources (Uses)					(118,036)
Net Change in Fund Balances	180,003		(15,388)	(19,207)	6,979
Fund Balance, Beginning	1,564,527		166,671	929,557	362,256
Fund Balance, Ending	$1,744,530		$151,283	$910,350	$369,235

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			
Peacock Gap Assessment District	Mariposa Assessment District	1997 Financing Authority Revenue Bonds	Capital Improvement	Bedroom Tax	Assessment Districts	Park Capital Projects
				$18,105		
		$493			$363	
			$13,357			
			143,472			
						$5,507
		493	156,829	18,105	363	5,507
			459,609			
						10,440
			459,609			10,440
		493	(302,780)	18,105	363	(4,933)
		493	(302,780)	18,105	363	(4,933)
$2,875	$16,573	147,304	3,766,552	58,740	300,417	32,869
$2,875	$16,573	$147,797	$3,463,772	$76,845	$300,780	$27,936

(Continued)

CITY OF SAN RAFAEL
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	CAPITAL PROJECTS FUNDS	
	Open Space	Total Non-Major Governmental Funds
REVENUES		
Taxes and special assessments		$6,924,451
Use of money and properties	$383	63,764
Intergovernmental		1,567,082
Charges for services		9,612,249
Other revenue		437,695
Total Revenues	383	18,605,241
EXPENDITURES		
Current:		
General government		344,386
Public safety		8,173,907
Public works and parks		1,162,161
Culture and recreation		9,569,293
Capital outlay		459,609
Capital improvement/special projects	4,463	1,044,704
Total Expenditures	4,463	20,754,060
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,080)	(2,148,819)
OTHER FINANCING SOURCES (USES)		
Transfers in		1,933,850
Transfers out		(612,819)
Total Other Financing Sources (Uses)		1,321,031
Net Change in Fund Balances	(4,080)	(827,788)
Fund Balance, Beginning	119,183	14,387,878
Fund Balance, Ending	$115,103	$13,560,090

SAN RAFAEL

THE CITY WITH A MISSION

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS					
	Recreation Revolving			Baypoint Lagoons Assessment District		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments				$25,500	$25,368	($132)
Use of money and properties	$26,309	$1,477	($24,832)	700	760	60
Intergovernmental	10,000	10,097	97			
Charges for services	2,962,330	3,129,356	167,026			
Other revenue	2,750	16,149	13,399			
Total Revenues	3,001,389	3,157,079	155,690	26,200	26,128	(72)
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks				6,000	5,722	278
Culture and recreation	4,809,085	4,798,373	10,712			
Capital outlay						
Capital improvement/special projects	10,000	16,994	(6,994)			
Total Expenditures	4,819,085	4,815,367	3,718	6,000	5,722	278
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,817,696)	(1,658,288)	159,408	20,200	20,406	206
OTHER FINANCING SOURCES (USES)						
Transfers in	1,750,000	1,750,000				
Transfers out						
Total Other Financing Sources (Uses)	1,750,000	1,750,000				
FUND BALANCES, BEGINNING OF YEAR AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	($67,696)	91,712	$159,408	$20,200	20,406	$206
FUND BALANCES, BEGINNING OF YEAR		26,379			217,920	
FUND BALANCES, END OF YEAR		$118,091			$238,326	

SPECIAL REVENUE FUNDS

Household Hazmat Facility			Childcare			Loch Lomond Assessment District		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
						$15,610	$15,606	($4)
$550	$180	($370)	$2,000	$4,177	$2,177	2,000	2,334	334
			312,200	329,232	17,032			
156,515	156,434	(81)	3,775,000	3,724,353	(50,647)			
	1,125	1,125		11,939	11,939			
157,065	157,739	674	4,089,200	4,069,701	(19,499)	17,610	17,940	330
169,361	93,013	76,348						
						50,054	48,618	1,436
			4,099,128	3,853,401	245,727			
169,361	93,013	76,348	4,099,128	3,853,401	245,727	50,054	48,618	1,436
(12,296)	64,726	77,022	(9,928)	216,300	226,228	(32,444)	(30,678)	1,766
($12,296)	64,726	$77,022	($9,928)	216,300	$226,228	($32,444)	(30,678)	$1,766
	248,639			1,153,844			690,944	
	$313,365			$1,370,144			$660,266	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS					
	Library			Library Assessment		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments				$875,000	$868,481	($6,519)
Use of money and properties	$600	$2,135	$1,535	1,800	2,302	502
Intergovernmental		1,000	1,000			
Charges for services	6,000	7,067	1,067			
Other revenue	1,000	3,020	2,020			
Total Revenues	7,600	13,222	5,622	876,800	870,783	(6,017)
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks						
Culture and recreation	10,000	10,049	(49)	995,819	907,470	88,349
Capital outlay						
Capital improvement/special projects	15,000	6,996	8,004			
Total Expenditures	25,000	17,045	7,955	995,819	907,470	88,349
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,400)	(3,823)	13,577	(119,019)	(36,687)	82,332
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	($17,400)	(3,823)	$13,577	($119,019)	(36,687)	$82,332
FUND BALANCES, BEGINNING OF YEAR		635,888			704,259	
FUND BALANCES, END OF YEAR		$632,065			$667,572	

SPECIAL REVENUE FUNDS

Public Safety			Stormwater			Development Services		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
$240	$130	($110)	$5,000	$548	($4,452)	$33,000	$33,615	$615
70,000	89,053	19,053						
1,500	1,860	360	772,800	903,910	131,110			
75,000	74,762	(238)	5,000	20,228	15,228			
146,740	165,805	19,065	782,800	924,686	141,886	33,000	33,615	615
			10,412	5,997	4,415	117,000	26,606	90,394
276,322	276,387	(65)						
			734,711	782,590	(47,879)			
						340,000		340,000
5,000	4,936	64	1,525,867	908,171	617,696			
281,322	281,323	(1)	2,270,990	1,696,758	574,232	457,000	26,606	430,394
(134,582)	(115,518)	19,064	(1,488,190)	(772,072)	716,118	(424,000)	7,009	431,009
100,000	100,000							
						(325,000)	(325,000)	
100,000	100,000					(325,000)	(325,000)	
($34,582)	(15,518)	$19,064	($1,488,190)	(772,072)	$716,118	($749,000)	(317,991)	$431,009
	174,018			961,159			1,001,277	
	$158,500			$189,087			$683,286	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS					
	Grants			Parkland Dedication		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments						
Use of money and properties	$2,800	$1,592	($1,208)	$4,000	$1,620	($2,380)
Intergovernmental	369,250	1,002,826	633,576			
Charges for services					39,360	39,360
Other revenue		23,106	23,106		1,500	1,500
Total Revenues	372,050	1,027,524	655,474	4,000	42,480	38,480
EXPENDITURES						
Current:						
General government	235,961	182,778	53,183			
Public safety	563,091	582,235	(19,144)			
Public works and parks				37,301	30,072	7,229
Culture and recreation						
Capital outlay				330,000	92,704	237,296
Capital improvement/special projects						
Total Expenditures	799,052	765,013	34,039	367,301	122,776	244,525
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(427,002)	262,511	689,513	(363,301)	(80,296)	283,005
OTHER FINANCING SOURCES (USES)						
Transfers in	46,089	46,089		37,761	37,761	
Transfers out	(169,783)	(169,783)				
Total Other Financing Sources (Uses)	(123,694)	(123,694)		37,761	37,761	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	($550,696)	138,817	$689,513	($325,540)	(42,535)	$283,005
FUND BALANCES, BEGINNING OF YEAR		614,304			491,723	
FUND BALANCES, END OF YEAR		$753,121			$449,188	

SPECIAL REVENUE FUNDS

Emergency Medical Services			Business Improvement			Pt. San Pedro-Maintenance Portion		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
$5,216,424	$5,485,637	$269,213				$80,000	$74,084	($5,916)
2,000	7,729	5,729				500	508	8
125,000	121,517	(3,483)						
2,598,000	1,506,437	(1,091,563)						
247,819	220,984	(26,835)						
8,189,243	7,342,304	(846,939)				80,500	74,592	(5,908)
83,288	47,978	35,310						
7,178,379	7,114,323	64,056						
						90,250	89,980	270
7,261,667	7,162,301	99,366				90,250	89,980	270
927,576	180,003	(747,573)				(9,750)	(15,388)	(5,638)
$927,576	180,003	($747,573)				($9,750)	(15,388)	($5,638)
	1,564,527						166,671	
	$1,744,530						$151,283	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS					
	Low and Moderate Income Housing			Measure A Open Space		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments				$430,300	$437,170	$6,870
Use of money and properties	$8,300	$2,445	($5,855)	600	973	373
Intergovernmental						
Charges for services						
Other revenue	70,000	59,375	(10,625)			
Total Revenues	78,300	61,820	(16,480)	430,900	438,143	7,243
EXPENDITURES						
Current:						
General government	210,000	81,027	128,973			
Public safety				199,123	107,949	91,174
Public works and parks				155,000	205,179	(50,179)
Culture and recreation				460,000		460,000
Capital outlay						
Capital improvement/special projects						
Total Expenditures	210,000	81,027	128,973	814,123	313,128	500,995
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(131,700)	(19,207)	112,493	(383,223)	125,015	508,238
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out				(118,036)	(118,036)	
Total Other Financing Sources (Uses)				(118,036)	(118,036)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	($131,700)	(19,207)	$112,493	($501,259)	6,979	$508,238
FUND BALANCES, BEGINNING OF YEAR		929,557			362,256	
FUND BALANCES, END OF YEAR		$910,350			$369,235	

DEBT SERVICE FUNDS					
Mariposa Assessment District			1997 Financing Authority Revenue Bonds		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
			$430	$493	$63
			430	493	63
			430	493	63
			$430	493	$63
	$16,573			147,304	
	$16,573			$147,797	

SAN RAFAEL

THE CITY WITH A MISSION

INTERNAL SERVICE FUNDS

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

Building Maintenance Fund - Established to account for construction projects and cyclical large dollar maintenance tasks (roof, painting) completed on City owned buildings.

Vehicle Replacement Fund – Established to provide for the replacement of vehicles.

Equipment Replacement Fund – Established to provide for the replacement of computers and equipment.

Employee Benefits Fund - This fund is utilized for the payment of retiree benefits, unemployment insurance, accumulated leave requirements and other negotiated benefits not tied to a specific department.

Liability Insurance Fund - Established to maintain sufficient reserves for outstanding claims. All costs associated with liability premiums are paid from this fund.

Workers' Compensation Fund - Established to maintain sufficient reserves for injury claims. All costs associated with workers compensation, including safety training, wellness programs, claim expenses and insurance premiums are paid from this fund.

Dental Insurance Fund - Set up to maintain sufficient reserves for dental claims. All costs associated with dental claims and administrations are paid from this fund.

Employee Retirement Fund – Established to maintain sufficient reserves to fund debt service payments on the 2010 Taxable Pension Obligation Bonds and other pension related obligations.

OPEB/Retiree Medical Fund – Established to account for activities related to the funding, administration and procurement of retiree medical benefits.

Radio Replacement Fund - Established to meet radio system operating costs, capital acquisition and replacement, and operating lease obligations for the Public Works, Fire, Community Development and Police Departments. The Marin Emergency Radio Authority (MERA) is a countywide JPA that has taken the roll in procurement and installation of a new digital radio system. This fund supports San Rafael's portion of the MERA efforts and related contractual obligations.

Telephone Replacement Fund – Established to provide ongoing support services for telephone equipment and usage throughout the organization.

Sewer Maintenance Fund – Established to record both the cost of providing services to the San Rafael Sanitation District and the charges for those services.

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2017

	Building Maintenance	Vehicle Replacement	Equipment Replacement	Employee Benefits	Liability Insurance
ASSETS					
Current Assets:					
Cash and investments	$1,617,858	$1,673,326	$2,845,878	$810,716	$2,967,749
Accounts receivable					
Loans receivable					
Prepaids		1,080,558			
Capital assets:					
Nondepreciable assets	530,301				
Depreciable assets, net	2,615,538	5,044,661	637,331		
Total Assets	4,763,697	7,798,545	3,483,209	810,716	2,967,749
LIABILITIES					
Current Liabilities:					
Accounts payable	129,423	208,333	196,005	501	
Claims payable - due in one year					1,226,194
Non-current Liabilities:					
Claims payable - due in more than one year					1,355,335
Total Liabilities	129,423	208,333	196,005	501	2,581,529
NET POSITION:					
Net investment in capital assets	3,145,839	5,044,661	637,331		
Unrestricted	1,488,435	2,545,551	2,649,873	810,215	386,220
Total Net Position	$4,634,274	$7,590,212	$3,287,204	$810,215	$386,220

Workers' Compensation	Dental Insurance	Employee Retirement	OPEB/ Retiree Medical	Radio Replacement	Telephone Replacement	Sewer Maintenance	Total
$6,663,771	$152,927	$2,281,906	$711,122	$358,889	$398,256	$28,213	$20,510,611
							1,080,558
							530,301
							8,297,530
6,663,771	152,927	2,281,906	711,122	358,889	398,256	28,213	30,419,000
304	3,624		16,487		32,422	28,213	615,312
1,427,094							2,653,288
4,738,715							6,094,050
6,166,113	3,624		16,487		32,422	28,213	9,362,650
							8,827,831
497,658	149,303	2,281,906	694,635	358,889	365,834		12,228,519
$497,658	$149,303	$2,281,906	$694,635	$358,889	$365,834		$21,056,350

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Building Maintenance	Vehicle Replacement	Equipment Replacement	Employee Benefits	Liability Insurance
OPERATING REVENUES					
Charges for current services	$800,000	$1,213,282	$1,910,808	$551,519	$1,552,880
Other operating revenues	10,000		286	606	49,910
Total Operating Revenues	810,000	1,213,282	1,911,094	552,125	1,602,790
OPERATING EXPENSES					
Personnel			161,876	2,416	
Insurance premiums and claims					1,063,453
Maintenance and repairs	201,103	87,597			
General and administrative	18,243		1,952,354	796,874	184,656
Depreciation expense	38,921	922,755	106,224		
Total Operating Expenses	258,267	1,010,352	2,220,454	799,290	1,248,109
Operating Income (Loss)	551,733	202,930	(309,360)	(247,165)	354,681
NONOPERATING REVENUES (EXPENSES)					
Investment income	5,317	5,099	9,304	8,635	8,962
Miscellaneous Income		94,264			
Loss on sale of capital assets		(19,944)			
Total Nonoperating Revenues (Expenses)	5,317	79,419	9,304	8,635	8,962
Net income (loss) before transfers	557,050	282,349	(300,056)	(238,530)	363,643
CAPITAL CONTRIBUTIONS	1,228,402				
TRANSFERS IN	80,275				
TRANSFERS OUT					
Change in Net Position	1,865,727	282,349	(300,056)	(238,530)	363,643
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED	2,768,547	7,307,863	3,587,260	1,048,745	22,577
NET POSITION, END OF YEAR	$4,634,274	$7,590,212	$3,287,204	$810,215	$386,220

Workers' Compensation	Dental Insurance	Employee Retirement	OPEB/ Retiree Medical	Radio Replacement	Telephone Replacement	Sewer Maintenance	Total
$1,974,595	$399,028	$200,000	$2,775,000	$648,660	$571,223	$2,609,993	$15,206,988
	7,910		892,199			1,385	962,296
1,974,595	406,938	200,000	3,667,199	648,660	571,223	2,611,378	16,169,284
						2,611,378	2,775,670
1,487,865	388,506		3,674,555				6,614,379
							288,700
116,474		3,342		673,499	544,551		4,289,993
							1,067,900
1,604,339	388,506	3,342	3,674,555	673,499	544,551	2,611,378	15,036,642
370,256	18,432	196,658	(7,356)	(24,839)	26,672		1,132,642
21,819	663	7,392		522	1,238		68,951
							94,264
							(19,944)
21,819	663	7,392		522	1,238		143,271
392,075	19,095	204,050	(7,356)	(24,317)	27,910		1,275,913
							1,228,402
							80,275
		(376,520)					(376,520)
392,075	19,095	(172,470)	(7,356)	(24,317)	27,910		2,208,070
105,583	130,208	2,454,376	701,991	383,206	337,924		18,848,280
$497,658	$149,303	$2,281,906	$694,635	$358,889	$365,834		$21,056,350

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Building Maintenance	Vehicle Replacement	Equipment Replacement	Employee Benefits	Liability Insurance
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/other funds	$800,000	$1,224,360	$1,911,094	$551,519	$1,552,880
Cash payments to suppliers for goods and services	(126,737)	(85,119)	(1,898,044)	(836,813)	(1,211,360)
Cash payments to employees for salaries and benefits			(161,876)	(2,416)	
Other operating revenues	10,000			606	49,910
Cash Flows from Operating Activities	683,263	1,139,241	(148,826)	(287,104)	391,430
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	80,275				
Interfund payments					
Cash Flows from Noncapital Financing Activities	80,275				
'CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(468,338)	(753,667)			
Proceeds from sale of property		94,264			
Cash Flows from Investing Activities	(468,338)	(659,403)			
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	5,317	5,099	9,304	8,635	8,962
Cash Flows from Investing Activities	5,317	5,099	9,304	8,635	8,962
Net increase (decrease) in cash and cash equivalents	300,517	484,937	(139,522)	(278,469)	400,392
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,317,341	1,188,389	2,985,400	1,089,185	2,567,357
CASH AND CASH EQUIVALENTS, END OF YEAR	$1,617,858	$1,673,326	$2,845,878	$810,716	$2,967,749
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$551,733	$202,930	($309,360)	($247,165)	$354,681
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	38,921	922,755	106,224		
Net change in assets and liabilities:					
Accounts receivable		140			
Loans receivable		10,938			
Prepaids and deposits		2,478			
Accounts payable	92,609		54,310	(39,939)	(1,125)
Claims payable					37,874
Net Cash Provided by (Used in) Operating Activities	$683,263	$1,139,241	($148,826)	($287,104)	$391,430
NON-CASH TRANSACTIONS:					
Contributions of capital assets	$1,228,402				

Workers' Compensation	Dental Insurance	Employee Retirement	OPEB/ Employee Retirement	Radio Replacement	Telephone Replacement	Sewer Maintenance	Total
$1,974,595	$399,028	$200,000	$2,850,980	$648,660	$571,223	$2,623,480	$15,307,819
(1,490,587)	(388,587)	(3,342)	(3,661,843)	(673,499)	(533,604)	(2,599,611)	(13,509,146)
							(164,292)
	7,910		892,199			1,385	962,010
484,008	18,351	196,658	81,336	(24,839)	37,619	25,254	2,596,391
							80,275
		(376,520)					(376,520)
		(376,520)					(296,245)
							(1,222,005)
							94,264
							(1,127,741)
21,819	663	7,392		522	1,238		68,951
21,819	663	7,392		522	1,238		68,951
505,827	19,014	(172,470)	81,336	(24,317)	38,857	25,254	1,241,356
6,157,944	133,913	2,454,376	629,786	383,206	359,399	2,959	19,269,255
$6,663,771	$152,927	$2,281,906	$711,122	$358,889	$398,256	$28,213	$20,510,611
$370,256	$18,432	$196,658	($7,356)	($24,839)	$26,672		$1,132,642
							1,067,900
			75,980			$13,487	89,607
							10,938
							2,478
(7,146)	(81)		12,712		10,947	11,767	134,054
120,898							158,772
$484,008	$18,351	$196,658	$81,336	($24,839)	$37,619	$25,254	$2,596,391
							$1,228,402

SAN RAFAEL

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AGENCY FUNDS

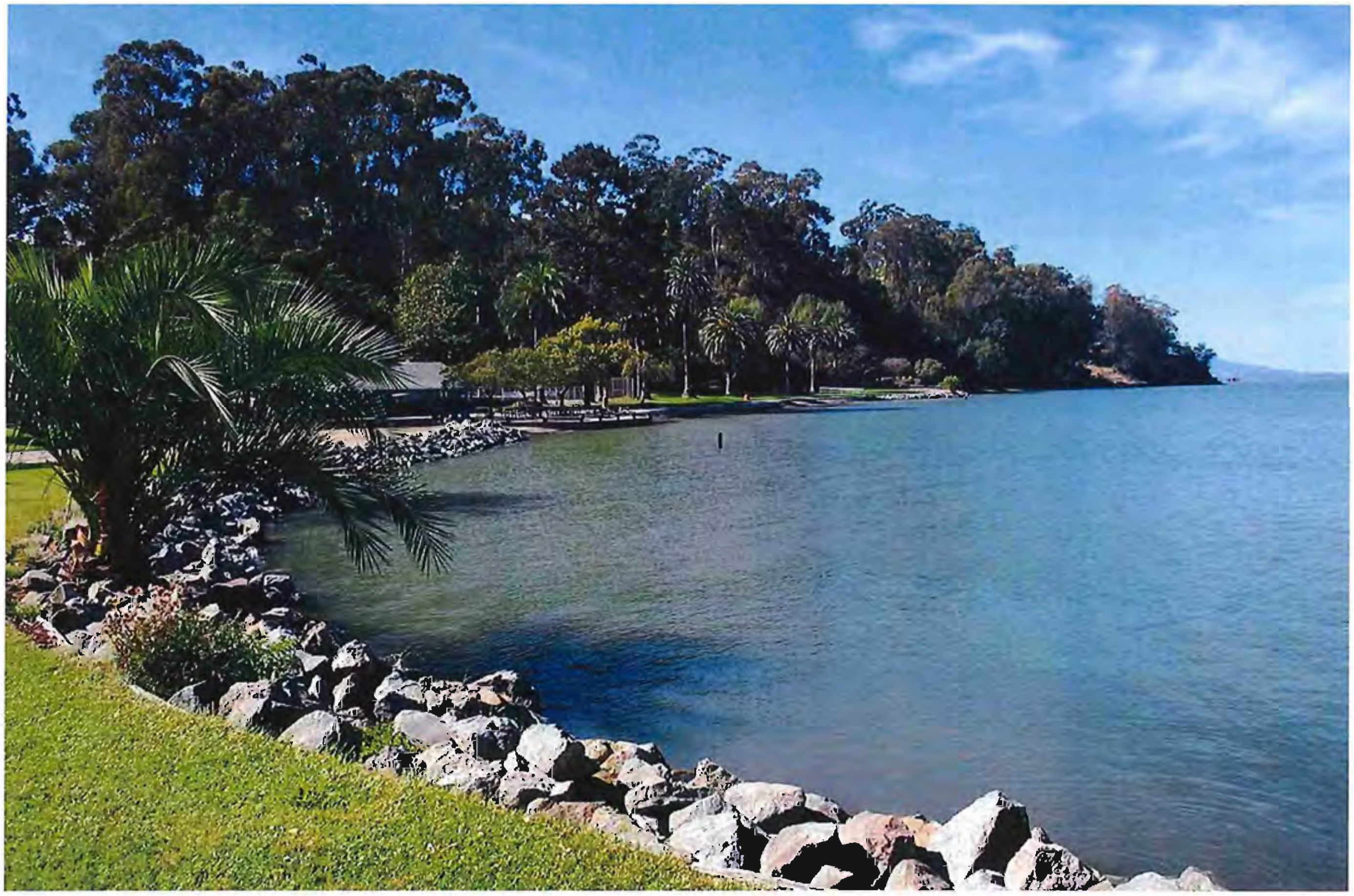
Agency Funds account of assets held by the City as agent for individuals, governmental entities, and non-public organizations.

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

CITY OF SAN RAFAEL
AGENCY FUNDS
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Pt. San Pedro Road Assessment District				
Assets				
Restricted cash and investments	$291,111	$206,708	$208,051	$289,768
Taxes receivable	1,134	951	1,134	951
Total Assets	$292,245	$207,659	$209,185	$290,719
Liabilities				
Interest payable	$27,697	$26,614	$27,697	$26,614
Due to bondholders	264,548	181,045	181,488	264,105
Total Liabilities	$292,245	$207,659	$209,185	$290,719

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Total Agency Fund				
Assets				
Restricted cash and investments	$291,111	$206,708	$208,051	$289,768
Taxes receivable	1,134	951	1,134	951
Total Assets	$292,245	$207,659	$209,185	$290,719
Liabilities				
Interest payable	$27,697	$26,614	$27,697	$26,614
Due to bondholders	264,548	181,045	181,488	264,105
Total Liabilities	$292,245	$207,659	$209,185	$290,719



Mc Nears Beach Park

STATISTICAL SECTION

SAN RAFAEL

THE CITY WITH A MISSION

STATISTICAL SECTION

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

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Revenue Bond Coverage Parking Facility

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

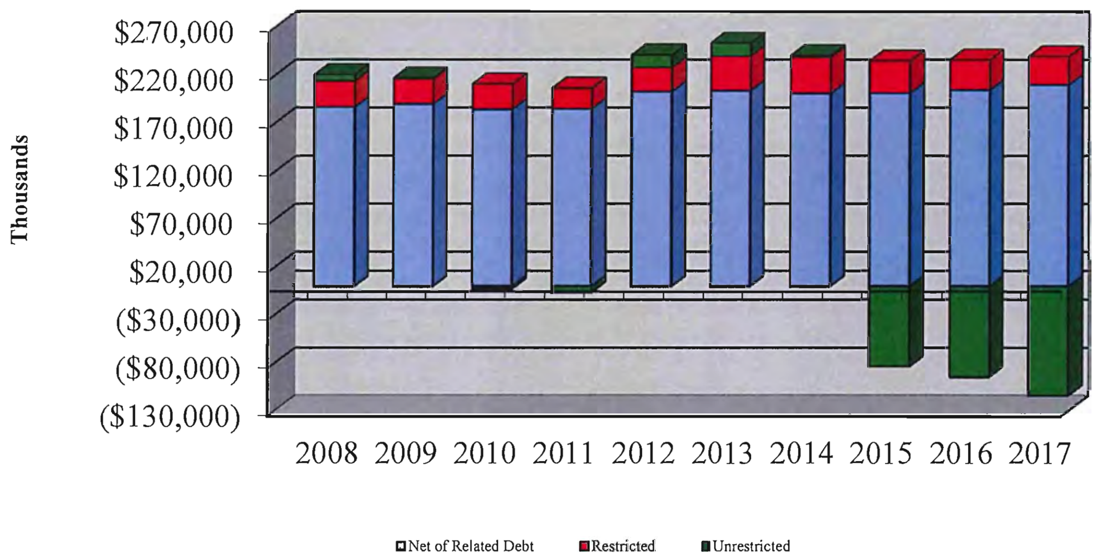
1. Demographic and Economic Statistics
2. Principal Employers

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

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

CITY OF SAN RAFAEL
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)



	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	$176,724,820	$178,744,119	$173,536,144	$174,281,922
Restricted	26,848,900	25,721,231	26,150,254	21,322,937
Unrestricted	4,273,937	(700,985)	(4,631,276)	(8,170,324)
Total governmental activities net position	$207,847,657	$203,764,365	$195,055,122	$187,434,535
Business-type activities				
Net investment in capital assets	$10,130,329	$11,243,637	$10,950,825	$10,793,592
Unrestricted	2,471,117	1,936,958	2,017,354	1,948,447
Total business-type activities net position	$12,601,446	$13,180,595	$12,968,179	$12,742,039
Primary government				
Net investments in capital assets	$186,855,149	$189,987,756	$184,486,969	$185,075,514
Restricted	26,848,900	25,721,231	26,150,254	21,322,937
Unrestricted	6,745,054	1,235,973	(2,613,922)	(6,221,877)
Total primary government net position	$220,449,103	$216,944,960	$208,023,301	$200,176,574

(a) The City adjusted certain beginning balances during fiscal years 2013-2014, 2014-2015 and 2016-2017. Financial data shown for proceeding years were not adjusted for the presentation.

2012	2013	2014	2015	2016	2017
$192,361,245	$193,222,791	$190,286,275	$190,621,085	$193,707,175	$199,202,842
24,693,205	35,780,412	37,339,141	33,389,224	31,286,725	29,225,643
10,652,263	11,151,318	(196,824)	(82,336,534)	(93,273,480)	(112,913,181)
$227,706,713	$240,154,521	$227,428,592	$141,673,775	$131,720,420	$115,515,304
$10,650,558	$10,670,190	$10,786,591	$10,744,952	$10,958,058	$10,968,642
2,495,889	2,501,498	2,049,957	(938,519)	(1,136,050)	(871,620)
$13,146,447	$13,171,688	$12,836,548	$9,806,433	$9,822,008	$10,097,022
$203,011,803	$203,892,981	$201,072,866	$201,366,037	$204,665,233	$210,171,484
24,693,205	35,780,412	37,339,141	33,389,224	31,286,725	29,225,643
13,148,152	13,652,816	1,853,133	(83,275,053)	(94,409,530)	(113,784,801)
$240,853,160	$253,326,209	$240,265,140	$151,480,208	$141,542,428	$125,612,326

CITY OF SAN RAFAEL
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2008	2009	2010	2011
Expenses				
Governmental Activities:				
General government	$8,621,079	$8,075,344	$8,396,759	$8,269,846
Public safety	40,845,347	42,708,538	42,752,033	44,735,486
Public works and parks	22,105,367	23,036,676	17,401,923	17,408,038
Community development	5,811,866	5,759,171	6,738,873	7,804,650
Culture and recreation	10,300,230	11,505,896	11,139,225	11,487,999
Interest on long-term debt and fiscal charges	1,989,620	1,907,229	2,200,024	1,621,605
Total Governmental Activities Expenses	89,673,509	92,992,854	88,628,837	91,327,624
Business-Type Activities:				
Parking services	3,282,235	3,563,235	4,016,198	3,785,751
Total Business-Type Activities Expenses	3,282,235	3,563,235	4,016,198	3,785,751
Total Primary Government Expenses	$92,955,744	$96,556,089	$92,645,035	$95,113,375
Component Unit:				
San Rafael Sanitation District	$8,090,636	$9,143,977	$9,087,354	$9,677,630
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	$1,494,784	$1,738,685	$1,665,460	$1,636,542
Public safety	5,562,072	5,906,445	6,308,912	6,167,925
Public works and parks	4,983,288	4,753,817	3,916,874	4,141,103
Community development	3,247,024	2,915,872	2,830,179	2,676,663
Culture and recreation	4,870,884	5,253,683	5,280,458	5,362,497
Operating grants and contributions	3,463,616	3,544,248	3,721,055	3,651,902
Capital grants and contributions	3,239,509	7,311,173	2,116,906	1,857,670
Total Government Activities Program Revenues	26,861,177	31,423,923	25,839,844	25,494,302
Business-Type Activities:				
Charges for services:				
Parking services	4,161,936	4,454,490	4,244,404	4,011,333
Total Business-Type Activities Program Revenues	4,161,936	4,454,490	4,244,404	4,011,333
Total Primary Government Program Revenues	$31,023,113	$35,878,413	$30,084,248	$29,505,635
Component Unit:				
San Rafael Sanitation District				
Charges for service	$9,366,305	$10,567,647	$11,559,549	$12,223,779
Operating grants and contributions				
Capital grants and contributions				
Total Component Unit Program Revenues	$9,366,305	$10,567,647	$11,559,549	$12,223,779
Net (Expense)/Revenue				
Governmental Activities	($62,812,332)	($61,568,931)	($62,788,993)	($65,833,322)
Business-Type Activities	879,701	891,255	228,206	225,582
Total Primary Government Net Expense	($61,932,631)	($60,677,676)	($62,560,787)	($65,607,740)
Component Unit Activities	$1,275,669	$1,423,670	$2,472,195	$2,546,149

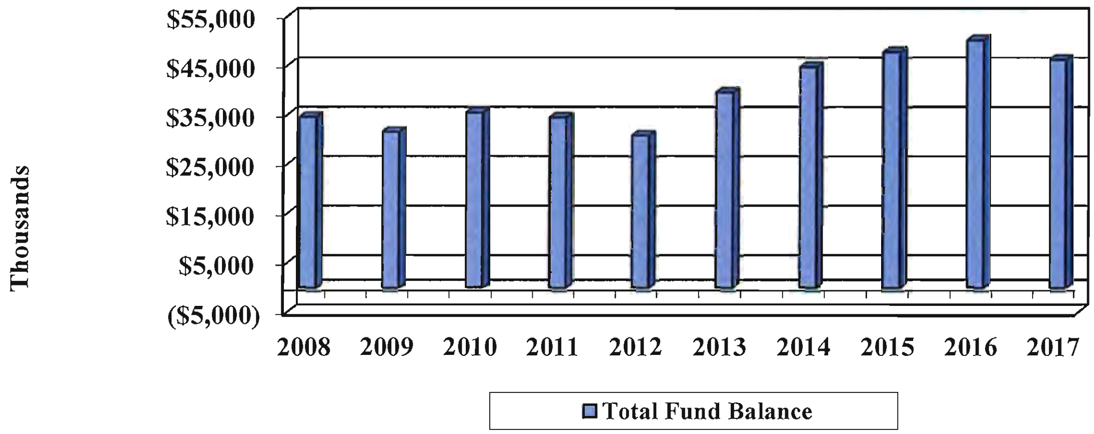
2012	2013	2014	2015	2016	2017
$10,171,332	$10,202,530	$9,085,672	$9,099,858	$12,952,983	$10,996,269
39,876,910	41,966,065	43,800,158	39,968,631	55,399,798	44,366,734
17,423,033	17,695,164	22,125,336	16,893,164	22,929,289	19,845,719
4,587,557	3,403,158	3,451,244	3,128,373	4,307,269	4,242,743
11,020,663	11,330,058	11,846,818	11,198,151	15,026,680	14,131,000
1,224,991	283,805	327,350	284,288	277,263	271,263
84,304,486	84,880,780	90,636,578	80,572,465	110,893,282	93,853,728
3,446,482	3,545,387	4,125,476	4,249,597	4,762,851	4,188,152
3,446,482	3,545,387	4,125,476	4,249,597	4,762,851	4,188,152
$87,750,968	$88,426,167	$94,762,054	$84,822,062	$115,656,133	$98,041,880
$10,185,779	$10,169,082	$11,378,055	$11,375,239	$11,654,767	$11,255,194
$1,986,791	$2,655,749	$2,838,940	$1,379,523	$526,495	$421,393
7,122,396	6,478,321	6,014,034	4,966,251	4,939,658	4,264,939
5,214,267	7,837,472	6,101,460	3,078,267	5,157,289	1,804,698
3,255,367	3,984,204	3,279,251	3,796,684	4,004,178	3,850,107
5,873,147	6,075,129	6,417,003	6,537,646	6,683,059	6,941,013
3,158,281	4,085,073	4,698,142	4,185,450	4,678,338	3,965,351
2,705,696	5,876,993	762,719	1,308,027	1,470,953	1,702,993
29,315,945	36,992,941	30,111,549	25,251,848	27,459,970	22,950,494
3,901,175	3,990,706	4,485,394	5,173,557	5,212,181	5,268,991
3,901,175	3,990,706	4,485,394	5,173,557	5,212,181	5,268,991
$33,217,120	$40,983,647	$34,596,943	$30,425,405	$32,672,151	$28,219,485
$12,368,889	$12,413,123	$13,732,496	$14,629,758	$15,414,530	$16,014,016
					36,945
					79,245
$12,368,889	$12,413,123	$13,732,496	$14,629,758	$15,414,530	$16,130,206
($54,988,541)	($47,887,839)	($60,525,029)	($55,320,617)	($83,433,312)	($70,903,234)
454,693	445,319	359,918	923,960	449,330	1,080,839
($54,533,848)	($47,442,520)	($60,165,111)	($54,396,657)	($82,983,982)	($69,822,395)
$2,183,110	$2,244,041	$2,354,441	$3,254,519	$3,862,215	$4,875,012

CITY OF SAN RAFAEL
CHANGES IN NET POSITION
(continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property	$22,195,606	$21,978,859	$21,684,131	$21,632,733
Sales	25,764,457	21,970,262	19,055,124	21,623,445
Special assessments	3,503,555			
Paramedic		3,210,317	3,489,494	3,661,064
Motor vehicles	257,320	197,989	171,518	297,425
Transient occupancy		1,678,912	1,558,243	1,644,262
Franchise		2,941,149	2,868,332	2,990,539
Business license		2,405,934	2,317,664	2,296,460
Other	9,242,241	1,561,835	1,411,583	1,930,531
Investment earnings	1,583,056	717,968	302,180	176,502
Gain (Loss) on disposal of assets			221,791	
Miscellaneous	296,454	461,224	541,390	1,496,174
Special item - Court fines repayment				
Transfers	344,080	361,190	458,300	463,600
Total Government Activities	63,186,769	57,485,639	54,079,750	58,212,735
Business-Type Activities:				
Investment earnings	121,486	49,084	17,678	11,878
Aid from other government agencies				
Transfers	(344,080)	(361,190)	(458,300)	(463,600)
Total Business-Type Activities	(222,594)	(312,106)	(440,622)	(451,722)
Total Primary Government	$62,964,175	$57,173,533	$53,639,128	$57,761,013
Component Unit:				
San Rafael Sanitation District				
Property Taxes	$803,071	$855,511	$823,187	$1,214,519
Investment earnings	341,032	206,752	93,274	59,265
Miscellaneous	3,546	3,540		
Aid from other governmental agencies	577,860	381,144	415,391	6,499
Total Component Unit	$1,725,509	$1,446,947	$1,331,852	$1,280,283
Special Item				
Governmental Activities				
Component Unit Activities				
Change in Net Position				
Governmental Activities	$374,437	($4,083,292)	($8,709,243)	($7,620,587)
Business-Type Activities	657,107	579,149	(212,416)	(226,140)
Total Primary Government	$1,031,544	($3,504,143)	($8,921,659)	($7,846,727)
Change in Net Position				
Component Unit Activities	$3,001,178	$2,870,617	$3,804,047	$3,826,432

2012	2013	2014	2015	2016	2017
$20,107,637	$17,317,772	$18,439,619	$19,039,443	$19,998,567	$23,343,140
22,355,749	24,262,282	27,758,971	32,269,915	34,348,089	31,819,259
3,807,545	3,804,985	3,816,070	3,820,240	4,226,020	5,485,637
1,866,575	2,185,287	2,332,277	2,661,878	3,063,263	2,984,758
3,076,094	3,331,160	3,260,958	3,272,390	3,418,277	3,610,824
2,332,146	2,507,785	2,588,728	2,670,071	2,824,664	2,774,803
3,574,918	2,929,915	3,452,171	3,295,751	3,465,193	1,824,830
205,413	991,762	184,171	216,066	300,091	210,628
542,816	2,580,882	1,140,743	2,254,901	1,387,315	2,448,604
57,960	423,817	449,917	432,630	448,478	536,000
57,926,853	60,335,647	63,423,625	69,933,285	73,479,957	75,038,483
7,675	3,739	4,375	7,008	14,723	10,810
(57,960)	(423,817)	(449,917)	(432,630)	(448,478)	(536,000)
(50,285)	(420,078)	(445,542)	(425,622)	(433,755)	(525,190)
$57,876,568	$59,915,569	$62,978,083	$69,507,663	$73,046,202	$74,513,293
$1,192,566	$1,177,469	$1,345,018	$1,319,852	$1,367,172	$1,528,047
38,191	25,591	151,729	171,804	46,225	97,090
9,613	56,589	22,125	35,090		
$1,240,370	$1,259,649	$1,518,872	$1,526,746	$1,413,397	$1,625,137
			$4,462,815		
			($4,462,815)		
$2,938,312	$12,447,808	$2,898,596	$19,075,483	($9,953,355)	$4,135,249
404,408	25,241	(85,624)	498,338	15,575	555,649
$3,342,720	$12,473,049	$2,812,972	$19,573,821	($9,937,780)	$4,690,898
$3,423,480	$3,503,690	$3,873,313	$318,450	$5,275,612	$6,500,149

CITY SAN RAFAEL
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	2008	2009	2010	2011
General Fund				
Pre-GASB 54 Presentation:				
Reserved	$2,196,153	$2,225,775	$1,763,622	
Unreserved	4,022,612	1,670,455	5,038,173	
GASB 54 Presentation:				
Nonspendable				$589,833
Restricted				200,238
Committed				555,561
Assigned				5,439,879
Unassigned				
Total General Fund	$6,218,765	$3,896,230	$6,801,795	$6,785,511
All Other Governmental Funds				
Pre-GASB 54 Presentation:				
Reserved	$17,599,142	$16,680,568	$15,352,723	
Unreserved, reported in:				
Special Revenue Funds	7,413,808	8,641,239	8,778,027	
Capital Project Funds	35,430	(1,030,293)	4,527,627	
Debt Service Funds	3,315,764	3,360,540		
Expendable Trust Fund				
GASB 54 Presentation:				
Nonspendable				$377,180
Restricted				19,289,367
Committed				3,864,322
Assigned				4,124,029
Total all other governmental funds	$28,364,144	$27,652,054	$28,658,377	$27,654,898

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

(b) The City adjusted certain beginning balances during fiscal years 2013-2014, 2014-2015 and 2015-2016. Financial data shown for preceding years were not adjusted for the presentation.

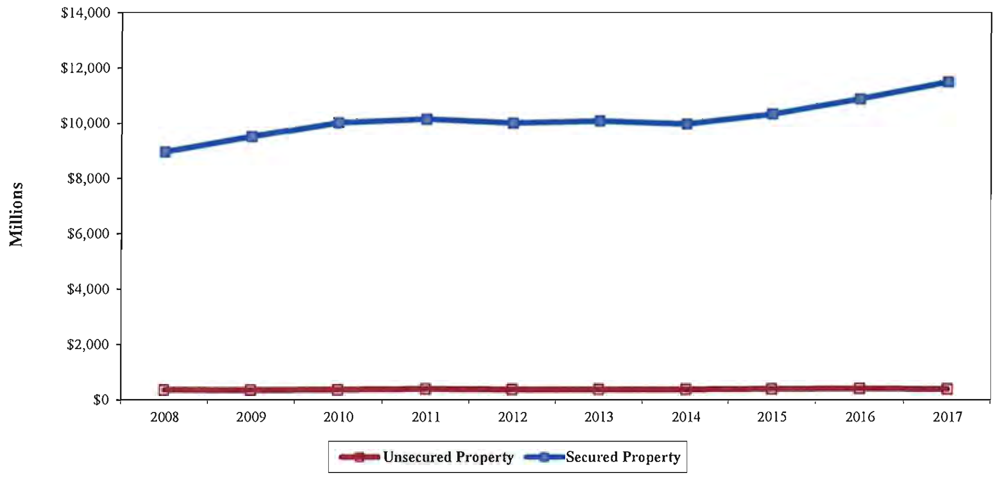
2012	2013	2014	2015	2016	2017 (a)
$527,509	$527,235	$503,338	$399,299	$476,316	$508,446
76,188					
651,121	800,876				
1,516,644	2,476,676	6,866,149	12,374,002	16,440,910	14,900,945
			1,588,500	1,772,577	1,295,041
$2,771,462	$3,804,787	$7,369,487	$14,361,801	$18,689,803	$16,704,432
$788,031	$51,521	$8,719	$2,359	$9,449	
16,856,959	20,769,546	30,185,064	31,742,184	27,552,245	25,812,405
5,135,257	8,447,495	2,185,825	931,871	3,799,421	3,491,708
5,283,559	6,511,850	4,959,533	712,810	119,183	115,103
$28,063,806	$35,780,412	$37,339,141	$33,389,224	$31,480,298	$29,419,216

CITY OF SAN RAFAEL
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
Revenues				
Taxes and special assessments	$56,129,195	$51,019,143	$47,678,541	$51,448,130
Licenses and permits	1,489,748	1,472,913	1,518,819	1,416,772
Fines and forfeitures	797,081	660,338	787,411	862,820
Use of money and properties	1,584,508	847,120	433,874	380,720
Intergovernmental	12,081,968	17,518,670	13,001,703	11,864,127
Charges for services	15,607,460	16,384,265	15,787,325	15,888,750
Other revenue	815,704	759,320	716,760	1,026,845
Total Revenues	88,505,664	88,661,769	79,924,433	82,888,164
Expenditures				
Current:				
General government	8,288,170	8,059,526	7,997,067	6,863,142
Public safety	40,299,862	41,209,972	39,574,091	40,967,352
Public works and parks	13,641,665	12,926,646	10,731,669	10,666,176
Community development	5,786,661	5,572,079	4,398,594	4,527,351
Culture and recreation	9,820,365	10,233,361	9,605,684	10,067,822
Capital outlay	6,243,517	5,048,044	1,890,559	1,745,483
Capital improvement / special projects	5,124,091	6,606,857	3,436,608	6,240,861
Debt service:				
Capitalized lease obligation				
Principal	2,504,370	2,714,358	2,804,258	2,530,338
Interest and fiscal charges	1,776,354	1,683,240	1,979,372	1,448,910
Total Expenditures	93,485,055	94,054,083	82,417,902	85,057,435
Excess (deficiency) of revenues over (under) expenditures	(4,979,391)	(5,392,314)	(2,493,469)	(2,169,271)
Other Financing Sources (Uses)				
Issuance of debt			14,660,000	
Payment to refunded bonds			(14,315,000)	
Bond premiums			1,038,185	
Capital lease for equipment acquisition				
Proceeds from PG&E loans				
Proceeds from sale of capital asset			221,791	
Transfers in	6,353,216	8,972,495	7,494,560	5,806,834
Transfers (out)	(6,329,136)	(6,614,806)	(6,411,150)	(4,657,326)
Total other financing sources (uses)	24,080	2,357,689	2,688,386	1,149,508
Extraordinary Item				
Transfer to Successor Agency				
Net Change in fund balances	($4,955,311)	($3,034,625)	$194,917	($1,019,763)
Debt service as a percentage of noncapital expenditures	5.2%	5.3%	6.2%	5.2%

2012	2013	2014	2015	2016	2017
$51,395,116	$51,549,306	$56,686,142	$61,804,228	$65,866,218	$71,166,891
1,648,890	1,929,387	1,934,755	2,456,820	2,588,411	2,559,841
801,758	734,005	669,553	556,076	435,829	400,283
315,561	325,043	363,089	444,757	460,206	349,349
10,537,396	11,869,889	11,953,308	13,233,503	13,685,003	8,063,156
19,649,433	23,575,374	19,949,333	15,346,794	14,366,744	13,425,161
870,957	4,092,411	2,045,407	1,777,003	3,208,749	1,842,053
85,219,111	94,075,415	93,601,587	95,619,181	100,611,160	97,806,734
8,783,873	10,529,480	8,678,833	10,203,687	11,349,079	10,557,416
39,311,551	41,377,062	41,900,762	43,954,515	47,071,166	49,018,153
11,518,822	12,002,448	13,697,957	12,758,643	14,390,699	16,752,961
3,755,504	2,961,275	3,296,375	3,416,859	3,670,108	3,759,564
10,345,673	10,591,057	11,106,367	11,616,777	12,048,104	12,646,728
1,312,383	4,009,454	2,154,900	4,498,924	4,813,757	2,100,926
3,604,171	5,284,720	7,168,776	2,186,986	4,826,576	7,403,249
2,518,320		208,642	75,172	75,172	175,172
735,221	283,805	327,350	284,288	277,263	271,263
81,885,518	87,039,301	88,539,962	88,995,851	98,521,924	102,685,432
3,333,593	7,036,114	5,061,625	6,623,330	2,089,236	(4,878,698)
		568,481			
4,539,646	8,425,474	3,655,302	4,348,149	7,533,364	9,287,007
(4,864,293)	(6,711,657)	(3,053,865)	(3,051,499)	(6,582,555)	(8,454,762)
(324,647)	1,713,817	1,169,918	1,296,650	950,809	832,245
	(2,352,584)				
$3,008,946	$6,397,347	$6,231,543	$7,919,980	$3,040,045	($4,046,453)
4.2%	0.4%	0.7%	0.4%	0.4%	0.5%

CITY OF SAN RAFAEL
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS



Fiscal Year	Real Property: Residential Property	Real Property: Commercial Property	Real Property: Industrial Property	Real Property: Other	Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
2008	$ 7,024,610,641	$ 1,824,656,505	$ 214,341,528	$ 105,409,028	$ 9,169,017,702	$ 362,727,209	$ 9,531,744,911	$ 9,531,744,911	0.17718%
2009	7,357,121,277	1,941,927,620	234,669,841	129,177,656	9,662,896,394	374,976,613	10,037,873,007	10,037,873,007	0.17951%
2010	7,335,863,721	2,052,276,292	244,857,019	130,177,994	9,763,175,026	401,201,906	10,164,376,932	10,164,376,932	0.19215%
2011	7,215,965,203	2,056,985,417	247,409,955	124,426,487	9,644,787,062	383,414,952	10,028,202,014	10,028,202,014	0.17851%
2012	7,317,280,602	2,036,262,351	247,485,238	118,579,648	9,719,607,839	384,950,872	10,104,558,711	10,104,558,711	0.17827%
2013	7,265,617,525	1,987,170,644	245,917,096	115,453,836	9,614,159,101	384,534,108	9,998,693,209	9,998,693,209	0.17456%
2014	7,558,708,224	2,009,718,415	245,674,195	130,594,237	9,944,695,071	402,261,887	10,346,956,958	10,346,956,958	0.11985%
2015	7,991,224,952	2,120,065,908	249,864,918	115,675,852	10,476,831,630	417,217,272	10,894,048,902	10,894,048,902	0.11657%
2016	8,511,358,216	2,221,843,976	263,830,302	108,982,883	11,106,015,377	400,942,059	11,506,957,436	11,506,957,436	0.11672%
2017	9,025,896,811	2,390,814,514	267,468,956	135,689,202	11,819,869,483	423,545,667	12,243,415,150	12,243,415,150	0.11693%

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

Data Source: Marin County Assessor 2007/08 - 2016/17 Combined Tax Rolls

CITY OF SAN RAFAEL
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	City	County (1)	School Districts	Misc. Special Districts	Total
2008	0.154	0.295	0.7225	0.0461	1.2172
2009	0.154	0.295	0.7192	0.0461	1.2139
2010	0.154	0.295	0.7402	0.0461	1.2349
2011	0.154	0.295	0.7542	0.0461	1.2489
2012	0.154	0.295	0.7831	0.0461	1.2779
2013	0.154	0.295	0.7743	0.0461	1.2691
2014	0.154	0.295	0.7890	0.0461	1.2838
2015	0.154	0.295	0.7651	0.0461	1.2599
2016	0.154	0.295	0.7846	0.0695	1.3028
2017	0.154	0.295	0.7988	0.0553	1.3028

Notes:

(1) Like other cities, San Rafael includes several property tax rate areas with different rates. A mean average is indicated.

Data Source: Marin County Assessors Office 2007/08 - 2016/17 Tax Rate Tables

CITY OF SAN RAFAEL
PRINCIPAL PROPERTY TAX PAYERS
CURRENT FY 2016/17 AND FY 2007/08

	FY 2016-2017		FY 2007-2008	
Taxpayer	**Taxable Assessed Value**	**Percentage of Total City Taxable Assessed Value**	**Taxable Assessed Value**	**Percentage of Total City Taxable Assessed Value**
California Corporate Center ACQ LLC	$ 235,592,917	1.92%		
MGP XI Northgate LLC	141,854,871	1.16%		
Professional Financial Investors Inc	52,469,836	0.43%		
South Valley Apartments LLC	51,976,039	0.42%		
Kaiser	47,890,626	0.39%		
BRE Piper MF 33 North CA LLC	45,652,854	0.37%		
Regency Center II Assoc	45,430,182	0.37%	$ 40,116,943	0.42%
Northbay Properties II	44,976,649	0.37%	33,229,690	0.35%
Bay Apartment Communities Inc	42,857,370	0.35%	33,826,191	0.35%
Barbara Fasken 1995 Trust ETAL	42,474,774	0.35%		
Northgate Mall Associates			119,980,919	1.26%
Hines San Rafael LLC			78,065,660	0.82%
San Rafael Associates NF			63,225,500	0.66%
Marin Sanitary Service			39,405,212	0.41%
4040 Civic Center LLC			36,206,743	0.38%
Rafael Town Center Investors LLC			32,696,979	0.34%
Bit Holdings Forty-Five Inc			31,243,240	0.33%
Subtotal	$ 751,176,118	6.14%	$ 507,997,077	5.33%

Total Net Assessed Valuation:

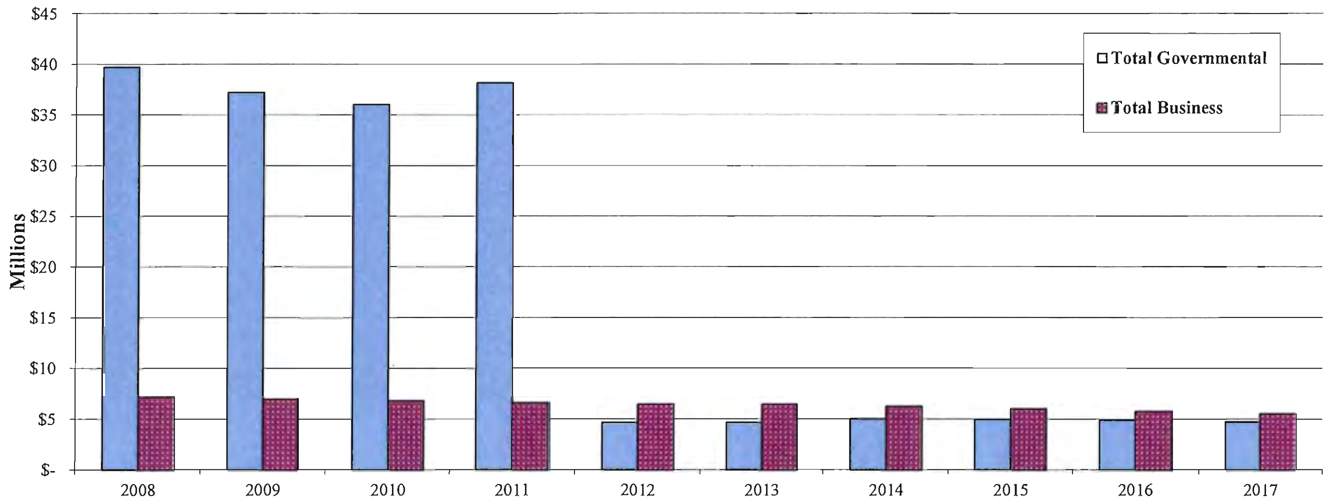
Fiscal Year 2016-2017	$ 12,243,415,150
Fiscal Year 2007-2008	$ 9,531,744,911

CITY OF SAN RAFAEL
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS

Fiscal Year	Rate	Levies	Allocations	Collections	Apportionments	Delinquencies	Delinquent taxes as a Percent of Allocations
2008	1.00	(2)	$ 22,195,606	(2)	$ 22,195,606	(2)	0.0%
2009	1.00	(2)	21,978,859	(2)	21,978,859	(2)	0.0%
2010	1.00	(2)	21,702,536	(2)	21,702,536	(2)	0.0%
2011	1.00	(2)	21,632,731	(2)	21,632,731	(2)	0.0%
2012	1.00	(2)	20,704,368	(2)	20,704,368	(2)	0.0%
2013	1.00	(2)	20,883,041	(2)	20,883,041	(2)	0.0%
2014	1.00	(2)	22,001,357	(2)	22,001,357	(2)	0.0%
2015	1.00	(2)	22,376,457	(2)	22,376,457	(2)	0.0%
2016	1.00	(2)	23,636,093	(2)	23,636,093	(2)	0.0%
2017	1.00	(2)	25,173,651	(2)	25,173,651	(2)	0.0%

Notes:
(1) Includes deductions for County property tax administration.
(2) Information not applicable. All general purpose property taxes are levied by the county and allocated to other governmental entities.

CITY OF SAN RAFAEL
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS



Governmental Activities

Fiscal Year	RDA Tax Allocation Bonds	Financing Authority Revenue Bonds	Note Payable	Court Fine Promissory Note	Capitalized Lease Obligations	Pension Obligation Bonds	Total
2008	$ 37,537,161	$ 780,000	$ 169,000	$ 816,119	$ 401,155		$ 39,703,435
2009	35,793,692	455,000	169,000	594,100	198,816		37,210,608
2010	35,355,988	-	169,000	363,328	135,330		36,023,646
2011	33,298,499	-	169,000	124,222	69,098	$ 4,490,000	38,150,819
2012	-	-	169,000	-	-	4,490,000	4,659,000
2013	-	-	169,000	-	-	4,490,000	4,659,000
2014	-	-	528,839	-	-	4,490,000	5,018,839
2015	-	-	453,667	-	-	4,490,000	4,943,667
2016	-	-	378,495	-	-	4,490,000	4,868,495
2017	-	-	303,323	-	-	4,390,000	4,693,323

Business-Type Activities

Fiscal Year	Parking Services Bonds	Note Payable	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2008	$ 7,140,000		$ 7,140,000	$ 46,843,435	1.73%	804.39
2009	6,975,000		6,975,000	44,185,608	1.67%	757.08
2010	6,805,000		6,805,000	42,828,646	1.85%	728.11
2011	6,630,000		6,630,000	44,780,819	1.87%	770.28
2012	6,445,000		6,445,000	11,104,000	0.46%	190.45
2013	6,445,000		6,445,000	11,104,000	0.44%	190.85
2014	6,186,403	$ 61,836	6,248,239	11,267,078	0.43%	192.38
2015	5,942,128	55,020	5,997,148	10,940,815	0.41%	184.77
2016	5,692,853	48,204	5,741,057	10,609,552	0.38%	175.13
2017	5,433,577	41,388	5,474,965	10,168,288	n/a	167.13

Notes : Debt amounts exclude any premiums, discounts, or other amortization amounts.
In August 2012, the series 2003 parking services bonds were refunded with series 2012 refunding bonds.

Data Sources: City of San Rafael
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

(a) See Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF SAN RAFAEL
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2017

2016-17 Assessed Valuation: $ 12,243,415,150

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2017	% Applicable (1)	City's Share of Debt 6/30/2017	
Marin Community College District	$ 313,510,000	17.315%	$ 54,284,257	
San Rafael High School District	71,215,315	78.283%	55,749,485	
Tamalpais Union High School District	117,095,000	0.081%	94,847	
Dixie School District	18,065,810	65.888%	11,903,201	
Ross School District	18,894,143	1.554%	293,615	
Ross Valley School District	44,891,171	0.013%	5,836	
San Rafael School District	69,670,289	83.694%	58,309,852	
Marin Healthcare District	157,385,000	20.831%	32,784,869	
Marin Emergency Radio Authority Parcel Tax Obligations	33,000,000	17.289%	5,705,370	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$ 219,131,331	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:				
Marin County Certificates of Participation	$ 90,392,081	17.289%	$ 15,627,887	
Marin County Pension Obligation Bonds	95,475,000	17.289%	16,506,673	
Marin County Transit District General Fund Obligations	111,628	17.289%	19,299	
Marin Municipal Water District General Fund Obligations	90,816	22.038%	20,014	
Marin Community College District Certification of Participation	2,420,834	17.315%	419,167	
San Rafael School District Certificates of Participation	3,405,000	83.694%	2,849,781	
City of San Rafael General Fund Obligations	**7,377,975**	**100.000%**	**7,377,975**	(2)
City of San Rafael Pension Obligations	**4,390,000**	**100.000%**	**4,390,000**	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			47,210,796	
Less: City of San Rafael lease revenue bonds supported by parking revenues			**5,474,966**	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 41,735,830	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)	$ 14,424,004	100.000%	$ 14,424,004	
TOTAL GROSS DIRECT DEBT			**11,767,975**	
TOTAL NET DIRECT DEBT			**6,293,009**	
TOTAL OVERLAPPING DEBT			268,998,157	
GROSS COMBINED TOTAL DEBT			280,766,132	(3)
NET COMBINED TOTAL DEBT			275,291,166	

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(2) Include city's share of Marin Emergency Radio Authority refunding revenue bonds and $344,711 PG&E notes.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	1.79%
Total Gross Direct Debt ($11,767,975)	**0.10%**
Total Net Direct Debt ($6,293,009)	**0.05%**
Gross Combined Total Debt	2.29%
Net Combined Total Debt	2.25%

Ratios to Redevelopment Incremental Valuation ($2,703,250,021	
Total Overlapping Tax Increment Debt	0.53%

Data Source: MuniServices

CITY OF SAN RAFAEL
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2017

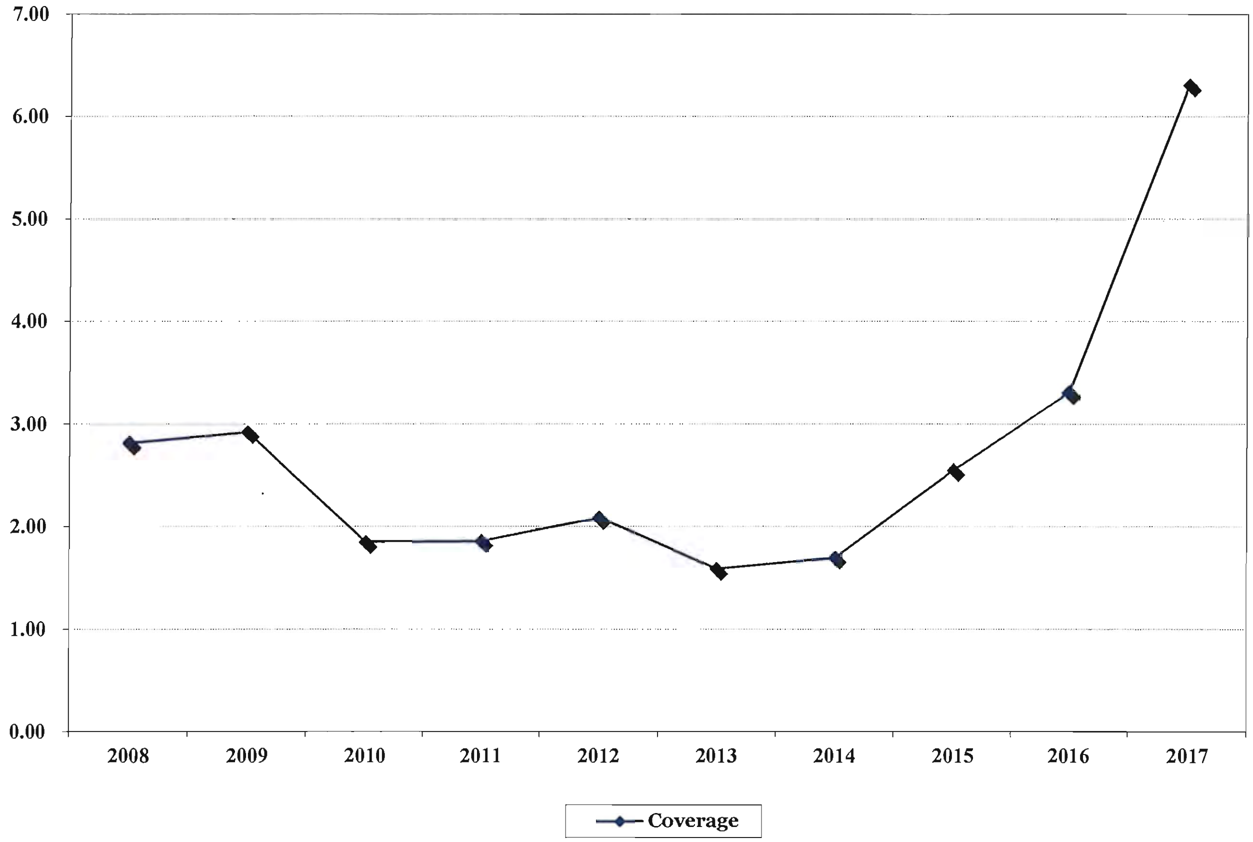
ASSESSED VALUATION:	$ 12,243,415,150
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	459,128,068.13
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	4,693,323.00
LEGAL BONDED DEBT MARGIN	$ 454,434,745

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2008	$ 357,440,434	$ 39,703,435	$ 317,736,999	12.50%
2009	376,420,238	37,210,608	339,209,630	10.97%
2010	381,164,135	36,023,646	345,140,489	10.44%
2011	376,057,576	38,150,819	337,906,757	11.29%
2012	378,920,952	4,659,000	374,261,952	1.24%
2013	374,950,995	4,659,000	370,291,995	1.26%
2014	388,010,886	5,018,839	382,992,047	1.31%
2015	408,526,834	4,943,667	403,583,167	1.22%
2016	431,510,904	4,868,495	426,642,409	1.14%
2017	459,128,068	4,693,323	454,434,745	1.03%

NOTE: (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth

Source: City of San Rafael's Finance Department

CITY OF SAN RAFAEL
REVENUE BOND COVERAGE
PARKING FACILITY
LAST TEN FISCAL YEARS

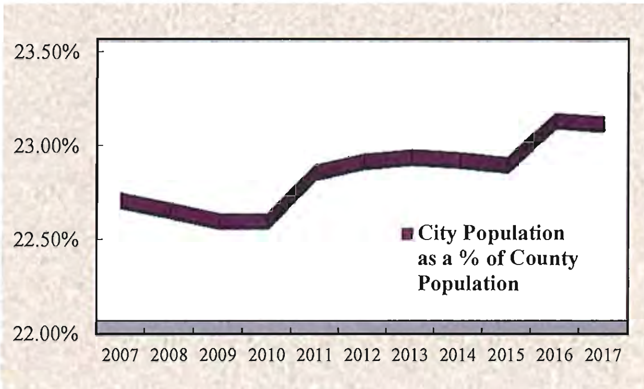


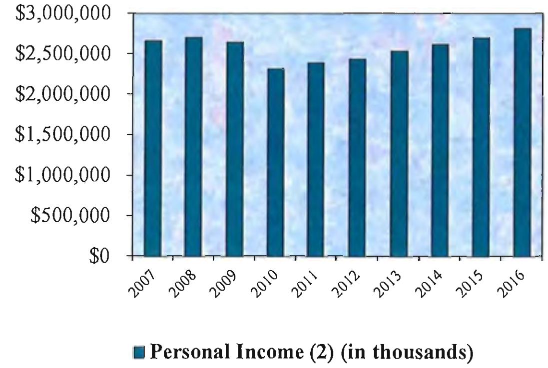
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2008	$ 4,089,112	$ 2,692,086	$ 1,397,026	$ 160,000	$ 335,216	$ 495,216	2.82
2009	4,425,813	2,980,083	1,445,730	165,000	330,379	495,379	2.92
2010	4,262,082	3,343,680	918,402	170,000	325,285	495,285	1.85
2011	4,023,211	3,101,411	921,800	175,000	319,391	494,391	1.86
2012	3,908,664	2,870,718	1,037,946	185,000	312,291	497,291	2.09
2013	3,994,446	3,121,964	872,481	310,000	240,012	550,012	1.59
2014	4,489,769	3,716,552	773,217	245,000	210,063	455,063	1.70
2015	5,180,554	4,031,161	1,149,393	245,000	205,163	450,163	2.55
2016	5,226,904	3,739,321	1,487,583	250,000	199,613	449,613	3.31
2017	5,279,801	2,425,281	2,854,520	260,000	192,038	452,038	6.31

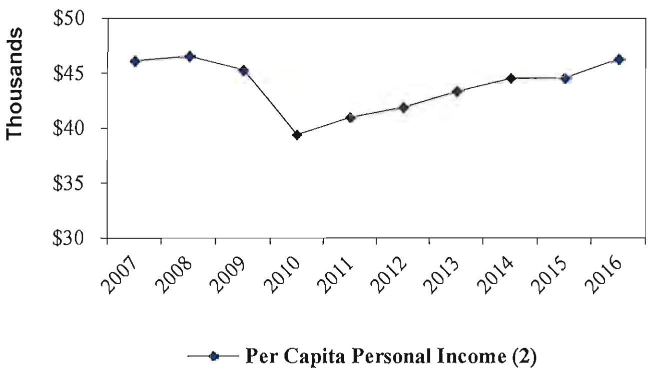
Notes: On March 26, 2003, the City Financing Authority issued lease revenue bonds for the design and construction of a new parking facility.
On August 12,2012 , the City Financing Authority refunded the series 2003 lease revenue bonds with series 2012 lease revenue refunding bonds to take advantage of lower interest rates.
(1) Includes all Parking Facility Operating Revenues and Non-operating Interest Revenue
(2) Includes all Parking Facility Operating Expenses less Depreciation and Interest

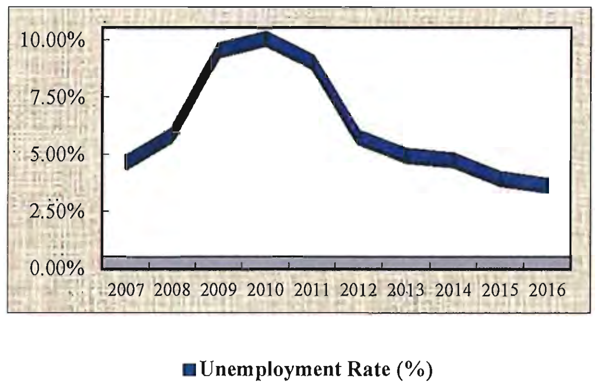
Data Source: San Rafael Finance Department Revenue and Expenditure Status Reports

CITY OF SAN RAFAEL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS









Fiscal Year	City Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (2)	Average Unemployment Rate (3)	Marin County Population	City Population % of County
2008	$ 58,235	$ 2,703,213	$ 46,557	5.60%	$ 257,406	22.62%
2009	58,363	2,642,978	45,288	9.30%	258,618	22.57%
2010	58,822	2,317,704	39,402	9.80%	260,651	22.57%
2011	58,136	2,389,222	40,978	8.80%	254,692	22.83%
2012	58,305	2,438,291	41,908	5.50%	254,790	22.88%
2013	58,182	2,538,895	43,351	4.70%	254,007	22.91%
2014	58,566	2,621,228	44,531	4.50%	255,846	22.89%
2015	59,214	2,699,436	44,558	3.70%	258,972	22.87%
2016	60,582	2,817,497	46,308	3.40%	262,274	23.10%
2017	60,842	n/a	n/a	n/a	263,604	23.08%

Source: (1) State of California, Department of Finance - Demographic Research Unit. The data represents the City's population as of January 1, of each year.

(2) 2007-2009 Income Data--Demographic Estimates are based on the last available census. Projections are developed by incorporating all of the prior census data released to date.

2010 and later- Income - US Census Bureau, most recent American Community Survey

(3) Unemployment Data: California Employment Development Department

CITY OF SAN RAFAEL
PRINCIPAL EMPLOYERS
FISCAL YEAR 2016-2017
LAST NINE CALENDAR YEARS

	2017*		2016*		2015*		2014*		2013*		2012*		2011*		2010*		2009*	
Employer	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)
Autodesk, Inc.	719	2.28%	748	2.28%	763	2.33%	1,095	3.52%	1,000	3.27%	878	3.25%	928	3.44%	1,028	3.83%	1,200	4.32%
Kaiser Permanente	2061	6.52%	662	2.02%	1,575	4.82%	1,637	5.26%	1,756	5.74%	1,803	6.68%	1,330	4.93%	1,311	4.88%	2,267	8.15%
San Rafael Elementary/High Schools Dist(:	700	2.22%	650	1.98%	650	1.99%	600	1.93%	600	1.96%	600	2.22%	600	2.22%	600	2.23%	575	2.07%
City of San Rafael	454	1.44%	577	1.76%	581	1.78%	666	2.14%	643	2.10%	521	1.93%	592	2.19%	630	2.34%	633	2.28%
MHN		0	-	-	-	-	-	-	350	1.14%	350	1.30%	350	1.30%	350	1.30%	-	-
Dominican University of California	456	1.44%	485	1.48%	422	1.29%	354	1.14%	347	1.13%	346	1.28%	336	1.24%	370	1.38%	508	1.83%
Bradley Real Estate	280	0.89%	435	1.33%	418	1.28%	385	1.24%	369	1.21%	376	1.39%	350	1.30%	-	-	-	-
Macy's		0	-	-	380	1.16%	380	1.22%	380	1.24%	380	1.41%	450	1.67%	445	1.66%	-	-
Wells Fargo Bank	310	0.98%	326	0.99%	306	0.94%	308	0.99%	334	1.09%	-	-	-	-	-	-	-	-
FICO		0	300	0.91%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair Issac Corp		0	-	-	300	0.92%	300	0.96%	-	-	-	-	-	-	-	-	350	1.26%
Community Action Marin	255	0.81%	220	0.67%	225	0.69%	300	0.96%	300	0.98%	-	-	-	-	-	-	-	-
Safeway		0	-	-	-	-	``	-	-	-	841	3.11%	452	1.67%	452	1.68%	-	-
Comcast		0	-	-	-	-	-	-	-	-	620	2.30%	619	2.29%	619	2.30%	-	-
Guide Dogs for the Blind	203	0.64%	225	0.69%	-	-	-	-	-	-	-	-	-	-	287	1.07%	-	-
Bernard Osher Marin JCC		0	200	0.61%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buckelew Programs	240	0.76%	186	0.57%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ghilotti Bros.	175	0.55%	150	0.46%	-	-	-	-	-	-	-	-	-	-	-	-	240	0.86%
Golden Gate Bridge Highway & Transp. Dist.		0	-	-	-	-	-	``	-	-	-	-	-	-	-	-	828	2.98%
YMCA		0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	348	1.25%
San Rafael City High School District		0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250	0.90%
Urban Painting, Inc.		0	150	0.46%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	5,853	18.52%	5,314	16.20%	5,620	17.19%	6,025	19.37%	6,079	19.87%	6,715	24.87%	6,007	22.25%	6,092	22.67%	7,199	25.90%

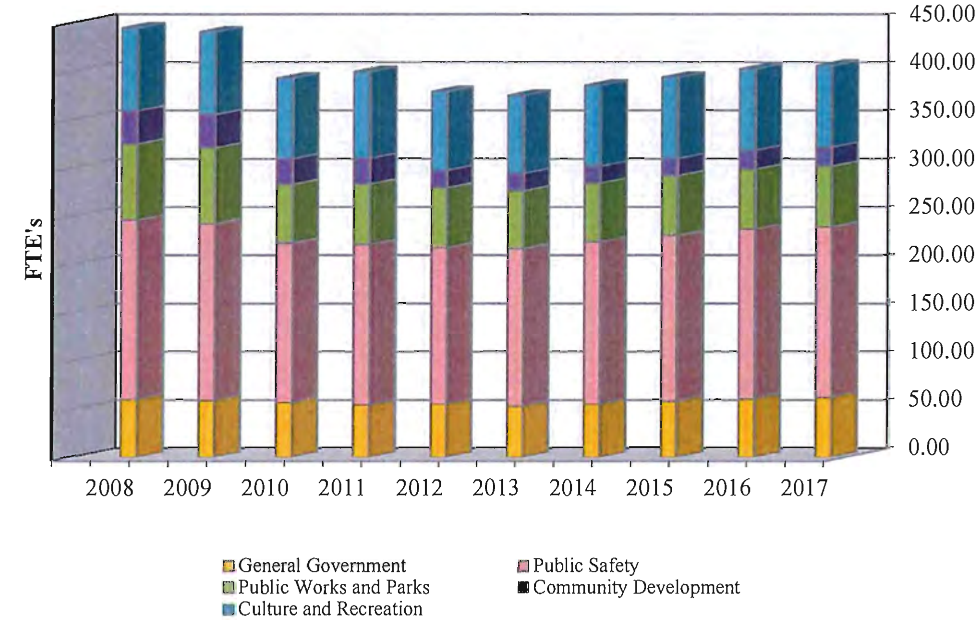
\# Number of FTE employees in Marin locations
(A) Percentage of total employment

Note: From the EDD website, it shows that the Total 2017 Employment in the City of San Rafael was 31,600 of which it is used as the denominator for the 2017 percentages are calculated.

* The number of total employment for the City is available for the last nine fiscal years only.

Data Sources: State of California, Employment Development Department, Labor Market Information Division & North Bay Business Journal (Annual Book of Lists)

CITY OF SAN RAFAEL
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS



Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	59.88	58.88	56.88	54.35	55.23	53.23	55.11	58.11	60.61	62.11
Public Safety	186.00	183.00	165.00	166.00	162.00	163.00	168.00	171.75	175.75	176.55
Public Works and Parks	78.80	78.80	60.80	62.80	62.00	60.00	61.00	62.00	62.00	63.00
Community Development	34.50	34.50	26.75	26.75	18.25	18.25	17.80	17.80	19.80	20.00
Culture and Recreation	85.90	85.90	83.49	89.82	81.56	80.76	83.66	84.23	84.25	84.35
Total	445.08	441.08	392.92	399.72	379.04	375.24	385.57	393.89	402.41	406.01

Data Source: City of San Rafael's Finance Department

SAN RAFAEL

THE CITY WITH A MISSION

CITY OF SAN RAFAEL
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	2008	2009	2010	2011
Function/Program				
Public safety:				
Fire:				
Inspection permit issued	217	196	307	294
Police:				
Police calls for service	43,488	42,227	42,227	39,512
Law violations:				
Part I crimes	2,314	2,352	2,352	2,180
Physical arrests (adult and juvenile)	4,182	4,487	4,487	3,102
Traffic violations	9,241	5,777	5,777	8,190
Parking violations	42,481	44,913	42,806	34,590
Public works				
Street resurfacing (miles) (Eng Div)	4.95	2.77	2.77	7.40
Potholes repaired (square miles)	N/A	N/A	N/A	N/A
Asphalt used for street repairs (tons)	N/A	N/A	N/A	10,809
Culture and recreation:				
Recreation class participants	8,000	8,000	9,524	9,000
Items in collection (thousands)				
Library:				
Items in collection (thousands)	N/A	124.40	151.88	158.30
Total items borrowed (thousands)	N/A	N/A	371.12	435.66

Note: N/A denotes information not available.

2012	2013	2014	2015	2016	2017
282	307	261	282	198	233
39,537	42,707	51,261	55,805	57,026	53,567
2,101	2,523	2,289	2,533	2,523	2,392
2,981	2,951	3,227	3,450	3,453	2,526
4,048	3,448	4,498	4,168	3,252	3,341
32,492	30,881	38,814	36,398	34,803	36,169
N/A	2.70	9.00	6.40	6.76	2.32
N/A	N/A	N/A	N/A	N/A	N/A
178.9	7,500	10,700	11,000	7,195	5,800
12,075	7,082	9,857	10,023	12,725	13,493
159.18	125.92	168.62	127.76	227.89	117,354
366.46	392.23	478.96	443.64	469.79	327,297

CITY OF SAN RAFAEL
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	2008	2009	2010	2011
Function/Program				
Public safety:				
Fire stations	6	6	6	6
Police stations	1	1	1	1
Police Fleet				
Public works				
Miles of streets	173	173	173	173
Street lights	4,435	4,435	4,435	4,435
Parking District lights				
Traffic Signals	89	89	89	89
Culture and recreation:				
Community services:				
City parks	20	20	20	20
City parks acreage	42	42	42	42
Playgrounds	14	14	14	14
City trails	20	20	20	20
Community gardens	1	1	1	1
Community centers	4	4	4	4
Senior centers	0	0	0	0
Sports centers	0	0	0	0
Performing arts centers	0	0	0	0
Swimming pools	1	1	1	1
Tennis courts	10	10	10	10
Basketball Courts	5	5	5	5
Baseball/softball diamonds	5	5	5	5
Soccer/football fields	2	2	2	2
Library:				
City Libraries	1	2	2	2
Wastewater:				
Miles of sanitary sewers	179	179	179	179

Data Source: City of San Rafael's Finance Department

2012	2013	2014	2015	2016	2017
6	6	6	6	6	6
1	1	1	1	1	1
173	173	173	173	173	173
4,435	4,435	4,435	4,435	4,435	4,435
89	89	89	89	89	89
20	20	20	20	20	20
42	42	42	42	42	42
14	14	14	14	14	14
20	20	20	20	20	20
1	1	1	1	1	1
4	4	4	4	4	4
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1	1	1	1	1	1
10	10	10	10	10	10
5	5	5	5	5	5
5	5	5	5	5	5
2	2	2	2	2	2
2	2	2	2	2	2
179	179	145	145	145	145

SAN RAFAEL

THE CITY WITH A MISSION

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

March 28, 2018

San Rafael Joint Powers Financing Authority
c/o City of San Rafael
1400 Fifth Avenue
San Rafael, CA 94901

OPINION: $45,485,000 San Rafael Joint Powers Financing Authority Lease Revenue Bonds, Series 2018 (Public Safety Facilities Project)

Members of the Board:

We have acted as bond counsel to the San Rafael Joint Powers Financing Authority (the “Authority”) in connection with the issuance by the Authority of the lease revenue bonds captioned above, dated March 28, 2018 (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 March 1, 2018 (the “Indenture”), by and between the Authority and MUFG Union Bank, N.A., as trustee (the "Trustee "), and a resolution (the "Resolution") of the Board of Directors of the Authority adopted on March 5, 2018.

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 lease payments made by the City of San Rafael (the “City”) under a Lease Agreement dated as of March 1, 2018 (the “Lease 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 Lease 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 the Lease Agreement, perform the agreements on its part contained therein, and issue the Bonds.

2. The City is a duly created and validly existing municipal corporation and charter city with the power to enter into the Lease 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 Lease 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 basis with other bonds (if any) issued or to be issued in accordance with 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, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. 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, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. 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. The 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

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$45,485,000
SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
Lease Revenue Bonds, Series 2018
(Public Safety Facilities Project)
(Green Bonds)

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of San Rafael (the "City"), on behalf of the San Rafael Joint Powers Financing Authority (the "Authority") and itself, in connection with the issuance by the Authority of the bonds captioned above (the "Bonds"). The Bonds are being issued under an Indenture of Trust dated as of March 1, 2018 (the "Indenture"), by and between the Authority and MUFG Union Bank, N.A., as trustee (the "Trustee"). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City on behalf of itself and the Authority for the benefit of the holders and beneficial owners of the 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 nine months after the end of the City's fiscal year (currently April 1, based on the City's fiscal year-end of June 30).

"*Dissemination Agent*" means Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*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, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement dated March 14, 2018, executed by the City and the Authority in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Raymond James & Associates, Inc., the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. <u>Provision of Annual Reports</u>.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2018, with the report for the 2016-17 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 15 Business Days prior to 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(c). The City shall provide a written certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall, in a timely manner as required by the Rule, provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(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 certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. <u>Content of Annual Reports</u>. The City's Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements*. Audited financial statements of the City for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information*. To the extent not included in the audited final statements of the City, the Annual Report shall also include financial and operating data with respect to the City for preceding fiscal year, in format substantially similar to that provided in certain corresponding tables and charts in the Official Statement, as follows:

(i) comparison of budgeted and actual General Fund revenues, expenditures and fund balances (Table 3);

(ii) General Fund revenue sources by source (Table 4);

(iii) sales tax rates (Table 5)

(iv) assessed valuations (Table 7);

(v) typical property tax rates per $100 assessed value (Table 8);

(vi) City's share of net pension liability (Table 10);

(vii) Net OPEB liability (Table 11);

(viii) summary of investments (Table 13);

(ix) Collective bargaining data (Table 14);

(x) to the extent not summarized in the Audited Financial Statements, a schedule of General Fund long term debt, indicating type of issue, final maturity, interest rate range, original issue amount, indenture fund balances as of the end of the fiscal year to which the report relates and principal amount outstanding as of the end of the fiscal year to which the report relates; and

(xi) a description of any events of default under the Lease Agreement.

(c) *Other Information*. In addition to any of the information expressly required to be provided under this Disclosure Certificate, 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) *Cross References*. 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 through the MSRB. The City shall clearly identify each such other document so included by reference. If the document included by reference is a final official statement, it must be available from the MSRB.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 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 security, or other material events affecting the tax status of the security.

(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 or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (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 a trustee, if material.

(b) Whenever the City obtains knowledge of 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 subsections (a)(8) and (9) 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), and (a)(14) 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 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. Whenever the City obtains knowledge of the 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, fiscal agent, 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.

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 Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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 will be Willdan Financial Services. 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 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 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 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 nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 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 any amendment made pursuant to this Section 9 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 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.

(a) 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 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 Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	San Rafael Joint Powers Financing Authority c/o City of San Rafael 1400 Fifth Avenue San Rafael, CA 94901 Fax: (415) 485-3109

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. 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.

Dated: March 28, 2018

CITY OF SAN RAFAEL

By: ________________________________
City Manager

Accepted and Agreed:

WILLDAN FINANCIAL SERVICES

By: ________________________
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Rafael Joint Powers Financing Authority (the "Authority")
Name of Bond Issue:	San Rafael Joint Powers Financing Authority Lease Revenue Bonds, Series 2018 (Public Safety Facilities Project) (Green Bonds)
Date of Issuance:	March 28, 2018

NOTICE IS HEREBY GIVEN that the City of San Rafael, on behalf of itself and the Authority, has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust dated as of March 1, 2018, between the Authority and MUFG Union Bank, N.A. The City anticipates that the Annual Report will be filed by _____________.

Dated:__________________

CITY OF SAN RAFAEL

By: ______________________________
Its: ______________________________

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2018 Bonds, payment of principal, interest and other payments on the 2018 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2018 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the City (the "Issuer") nor the Trustee (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2018 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2018 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2018 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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. 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 its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX G

FORM OF GREEN BOND PROJECT REPORT

SAN RAFAEL JOINT POWERS FINANCING AUTHORITY
Lease Revenue Bonds, Series 2018
(Public Safety Facilities Project)
(Green Bonds)

Date of issuance: March 28, 2018
CUSIP: 799317 BS0

NOTICE IS HEREBY GIVEN, that the City of San Rafael has financed the following project with the above-referenced bonds (the "Bonds"):

Amount Financed	Project Description
$	

This notice is to provide interested parties with information regarding the use of proceeds of the Bonds. [Once all proceeds of the Bonds have been spent, no further updates will be provided.] [All proceeds of the Bonds have been spent; no further updates on the projects or the use of the Bonds will be provided.]

Dated: __________________