



CITY OF COTATI, CALIFORNIA
ANNUAL FINANCIAL REPORT TO THE COMMUNITY
FISCAL YEAR ENDED JUNE 30, 2018





City of Cotati

To the Residents of Cotati

The City is proud to present you with Cotati's first Annual Financial Report to the Community for the fiscal year (FY) ended June 30, 2018. This report provides an overview of the City's financial condition and a brief analysis of where City revenues come from and where those dollars are spent.

Most of the information in this report is drawn from the financial information appearing in the FY 2017-18 **Comprehensive Annual Financial Report (CAFR)**. To promote complete transparency of the City finances, we remain dedicated to preparing a full **CAFR** as it is the "gold" standard in financial reporting and provides the following; citywide detailed statistical and demographic information; management's discussion on the goals, economic condition and objectives for the City, as well as a complete financial presentation of basic financial statements prepared in conformance with **Generally Accepted Accounting Principles (GAAP)** as audited by an independent auditor who provided a clean opinion for the year under **audit**. While the financial data in this document is derived from the **CAFR**, the supplemental statistical, economic and demographic data may be taken from various other publicly available sources.

Our goal is to provide a summary of the City's financial information in an easy to read, informative way with reduced accounting jargon. As such we have highlighted some of the unavoidable accounting terms and provided a glossary of those terms at page 10. We hope you will find this information to be interesting and informative. We welcome your comments and suggestions for future reports and we look forward to the opportunity to explain any information provided both here and within the **CAFR**. Both the **CAFR** and this document are available for viewing at City Hall and on the City's website at www.cotaticity.org.

City Overview

Our city's unusual name "Cotati" (ko-ta-tee) derives from the Kota'ti, a peaceful tribe of Coast Miwok Native Americans who populated this temperate valley for generations.



In 1844, the Mexican government granted the Rancho Cotate to Captain Juan Castaneda for his military services. The grant included the land on which Cotati would be built. The ranch passed hands a few times until 1849 when Dr. Thomas Page purchased it. The Page family held on to the land for many years and laid out the hexagonal plaza and roads named after his sons which are still evident today around Cotati's downtown La Plaza Park. This hexagonal plaza is one of only two in the US and has been designated as a California Historical Landmark due to this unique layout.

In order to retain its identity, Cotati incorporated in 1963 and currently operates under a city manager/city council structure.

The City provides a variety of services to its residents, which includes; police services, recreation services, water and sewer services, maintenance of City parks, streets and storm drains, and City buildings. Additionally, the City provides for planning and zoning, code enforcement, issuance of building permits, and acts as the flood plain administrator.

The City and surrounding region has continued to strengthen economically over the last year. Cotati has experienced improvement from a 4.6% unemployment rate in 2017 to 3.0% in 2018.

Due to new home construction and increased home prices during the past fiscal year, the County Assessor office has again increased property assessed valuations which we anticipate will result in slight growth in property taxes for the upcoming year.

The City is focused on diversifying the current sources of revenue to provide a more stable and resilient general fund and promote increased economic activity in Cotati. This includes developing local lodging options to generate a new general fund revenue stream called Transient Occupancy Taxes (TOT); and developing a local cannabis industry to generate new general fund revenue (Cannabis Business Tax). The City encourages visitation to the City and businesses to generate new economic activity for our local businesses and preserve and diversify the existing sources of sales and property taxes.

Cotati's population increased to 7,586 residents in 2017. Between 2010 and 2017, the city grew by 7.3%. This amount of growth is lower than the growth of Sonoma County (7.4%) and California (8%), but higher than the United States (7.1%) during this period of time. Cotati is projected to grow 3.3% by 2022. The City's five-year growth is projected to outpace the state and nation but trail the county.

Financial Highlights for Fiscal Year 2017-18

Due to the nature of financial reporting some accounting or finance terms are used in this report and are bolded throughout. Please see page 10 for a summary of these terms.

The City prepares two types of financial statements that measure its finances differently; **Government-wide** and **Fund statements**. The **Government-wide Statements** present the full City operations in a similar manner to those of a private business; whereas **Fund Statements** provide detailed financials in a short term or budgetary basis on specific funds. In order to provide clear and consistent information, all of the following financial highlights are presented based on the **Government-wide statements** with notes to differentiate the City governmental operating funds (primarily the General Fund) from the Water and Sewer funds, which are also known as **Enterprise funds**.

Highlights of the City of Cotati's financial activities include:

- **Net position** improved by \$3.2 million, primarily due to a one-time acquisition of a park and ride lot and other infrastructure improvements, including upgraded roadways, sidewalks and lighting totaling \$2.1 million.
- Cash and investments increased by \$12 million, of which almost all was **restricted** for special purposes except for the \$4.3 million in the General Fund.
- The General fund's end of year fund balance was \$5.7 million; almost a 26% increase over the prior year.



STATEMENT OF NET POSITION

The Statement of **Net Position** presents information on all of the City's assets and liabilities at a point in time, with the difference between the two reported as net position. Over time, increases or decreases in net position is one indicator of whether the City's financial condition is improving or weakening.

	<u>As of June 30, 2018</u>	<u>As of June 30, 2017</u>
Assets		
Current and other assets	\$ 27,951,219	\$ 25,683,161
Capital assets	<u>29,012,746</u>	<u>27,443,369</u>
Total Assets	<u>56,963,965</u>	<u>53,126,530</u>
Deferred Outflow of Resources		
Deferred outflows or resources related to pensions	<u>3,397,312</u>	<u>3,513,713</u>
Liabilities		
Current and other liabilities	1,268,241	1,151,634
Long-term liabilities	<u>15,386,028</u>	<u>14,773,740</u>
Total Liabilities	<u>16,654,269</u>	<u>15,925,374</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	<u>281,008</u>	<u>481,005</u>
Net Position		
Net investment in Capital assets ¹	28,980,894	27,443,369
Restricted net position ²	11,967,101	10,559,277
Unrestricted net position ³	<u>2,478,005</u>	<u>2,231,218</u>
Total Net Position	<u>\$ 43,426,000</u>	<u>\$ 40,233,864</u>

¹Capital Assets less accumulated depreciation and any remaining debt used to acquire the assets.

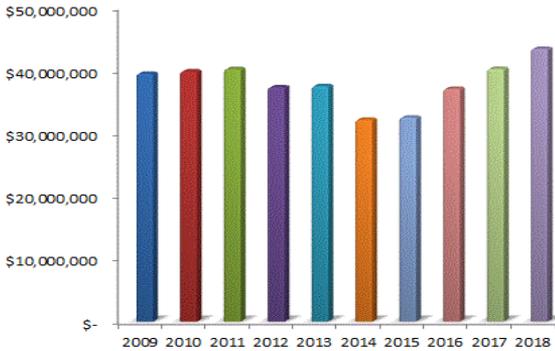
²Net position whose use is restricted by statute or law.

³Net position available to meet City obligations in future fiscal years.



*Detailed financial reports can be found in the City's FY 2017-18 **CAFR** available on the City's website at <http://www.cotaticity.org> or at City Hall.

Total Net Position For Last Ten Years



The **net position** is primarily made up of investments in capital assets. These investments are all the City infrastructure such as streets, roads, wells, drainage systems and buildings less accumulated depreciation and outstanding debt. The declines in net position during 2014 and 2015 are primarily due to implementation of new accounting rules that requires the reporting of an estimated future pension liability of \$7.8 million.

Goals and Accomplishments

Significant strides were made in communicating the financial condition of the City by updating the Long Term Financial Plan, continuing to improve the Mid-Year Budget Review and Update Process, receiving the City's first ever **Government Finance Officers Association (GFOA)** Distinguished Budget Award, expanding use of Facebook and implementing the new City website in order to communicate to the public more effectively. We also completed a full water and sewer rate study, created a Community Facilities District to ensure revenue neutral housing development for the future, and selected a new operator for the Veronda-Falletti Demonstration Ranch.

To address the economic development goals of the City, we implemented the new land use regulations for Cannabis along with voter approval of a City Cannabis Business Tax. Further, to assist in the diversification of revenue sources, we executed a property sale agreement for a potential hotel development to be located at the City's northern gateway area.

To address the goal of improved community safety, the Police Department continued to build community relationships with residents by hosting the National Night Out as well as several "Coffee with a Cop" social events. Public Safety services have been expanded to include dispatching for the Sonoma State University Police Department, as well as support for other local agencies and first responders during the October 2017 wildfires.

To improve the City infrastructure, the following projects were the focus during fiscal year 2017-18; design for East Cotati Avenue paving as well as School Street Pathway Extension and Veronda-Falletti Ranch farm house rehabilitation, performed a full replacement of the sewer main on St. Josephs Way, installed various traffic safety improvements including speed feedback signage and a full lighting project within La Plaza Park, McGinnis Pathway, Marsh Pathway and School Street Tunnel, initiated community forum discussion on a Park Master Plan as well as citywide Wayfinding Signage Program, completed the Bi-annual Pavement Management Plan, and finished the remodel of the Planning and Engineering offices in order to improve workflow and customer service at City Hall.

City of Cotati

STATEMENT OF ACTIVITIES

The Statement of Activities describes the revenues received, expenses paid or incurred during a fiscal year. Explanations of specific revenues and expenses are provided on the following pages.

	<u>FY 2017-2018</u>	<u>FY 2016-2017</u>
<i>Revenues:</i>		
<i>Program revenues:</i> ¹		
Charges for services	\$ 5,586,241	\$ 5,207,623
Operating grants and contributions	428,964	709,146
Capital grants and contributions ²	2,732,874	1,398,228
	<u>8,748,079</u>	<u>7,314,997</u>
<i>General Revenues:</i> ³		
Property taxes	1,544,849	1,472,627
Sales and use taxes	4,145,877	4,222,473
Other taxes	829,535	678,955
Other revenue	136,321	76,785
	<u>6,656,582</u>	<u>6,450,840</u>
Total Revenues	<u>15,404,661</u>	<u>13,765,837</u>
<i>Expenses:</i> ⁴		
General government	1,382,139	1,382,594
Public safety	3,733,774	2,597,613
Community development	439,133	454,562
Public works	1,830,007	1,761,910
Interest on long-term debt	288,074	296,996
Water	1,816,050	1,655,547
Wastewater	2,723,348	2,446,430
Total Expenses	<u>12,212,525</u>	<u>10,595,652</u>
Change in Net Position	3,192,136	3,170,185
Net Position - Beginning	\$ 40,233,864	\$ 37,063,679
Net Position - Ending	<u>\$ 43,426,000</u>	<u>\$ 40,233,864</u>

¹Revenues derived directly from fees, charges and grants

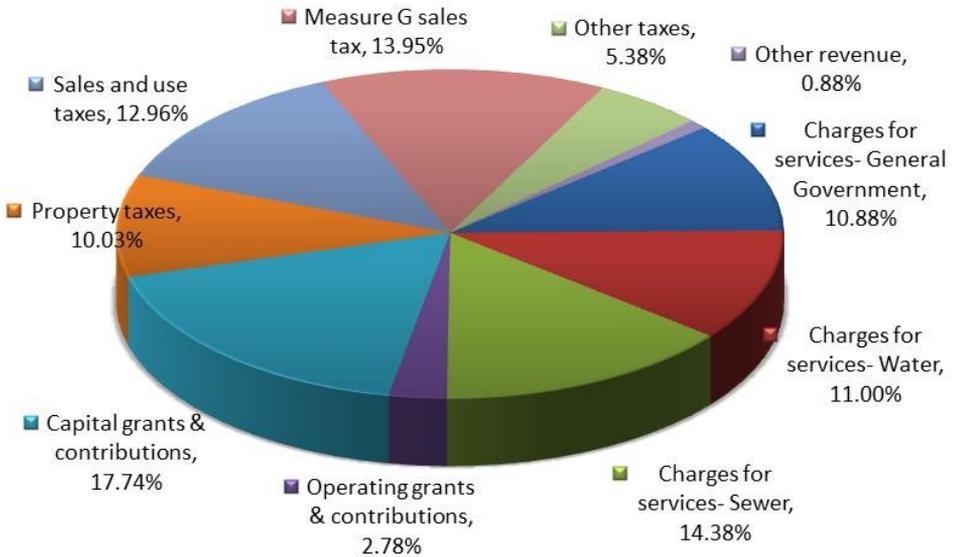
²The increase is due to contributions of landscaping and lighting within the Village Walk development as well as the negotiated transfer of ownership for the St. Josephs Way park and ride lot.

³All revenues that are not related to programs

⁴The expenses for fiscal year 2016-17 shown here are different than originally reported because accounting rules changed for 2017-18 and we are showing comparable numbers.

Revenues

Where the money comes from...



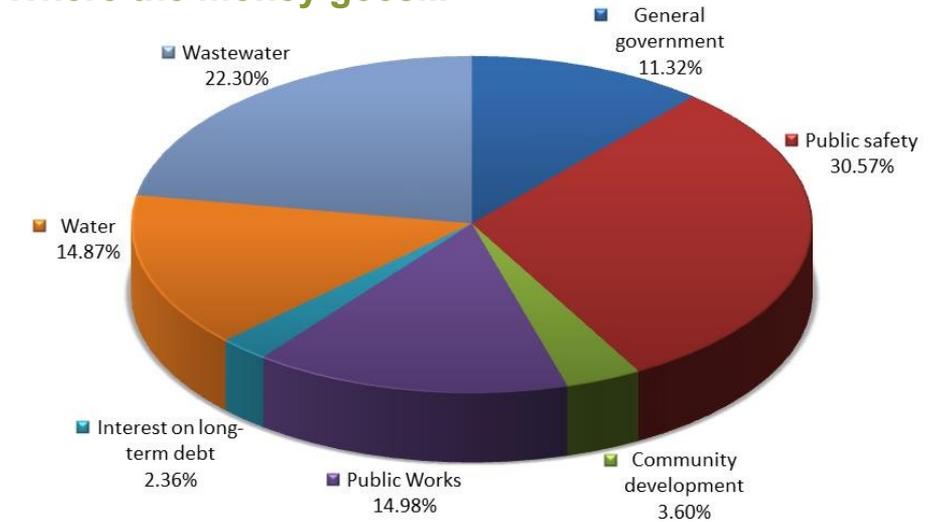
- Charges for services - General Government** payments received directly by the City for services performed. This would include charges such as, development services fees, code enforcement fines, and business licenses.
- Property taxes** - The County levies and collects 1% of the assessed value of each property. Of this assessment the City receives 11% from the County. See "Where Your Property Tax Dollar Goes", on page 8.
- Charges for services - Water** - payments received directly from customers to the City for water utility services.
- Charges for services - Sewer** - payments received directly from customers to the City for sewer utility services.
- Operating (program) grants and contributions** - monies or contributions received from outside agencies and generally restricted to one or more specific operating programs such as public safety and recreation programs.
- Capital (infrastructure) grants and contributions** - monies or contributions received for capital purposes, to purchase, construct, or renovate capital assets including infrastructure or large equipment.
- Sales and use taxes** - 1% sales tax collected on retail sales in the City.
- Measure G sales tax** - 1% voter approved sales tax collected on retail sales in the City.
- Other taxes** - taxes collected by the City such as Cannabis business tax and Transfer Tax, which is a transaction fee imposed on the transfer of land or real property between individuals.
- Other revenue** - interest earned on investments of idle funds and any revenue that does not readily fit into a previously listed category including rent, returned check fees, City cost mitigation and public services fees, as well as debt recovery.

For fiscal year ending June 30, 2018, revenues primarily changed due to receipts of capital grants and contributions, including the park-and-ride lot at St. Josephs Way, and increased charges for services related to land development. See page 5 for totals by revenue category.

*Detailed financial reports can be found in the City's FY 2017-18 **CAFR** available on the City's website at <http://www.cotaticity.org> or at City Hall.

Expenses

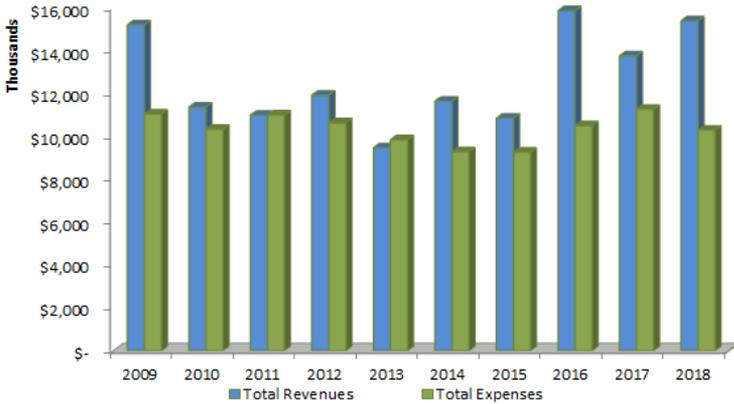
Where the money goes...



- Community development - reflects services provided to residents and businesses including Planning, Building and Code Enforcement.
- Public safety - includes all aspects of law enforcement as well as capital projects with a safety focus.
- Water - all expenses required for the delivery of water to our customers including purchasing water, personnel costs, capital improvement projects, and debt service payments.
- Interest on long-term debt - primarily interest expense for debt used to finance capital improvements that are not used in water and wastewater programs.
- Wastewater - all expenses required for the removal of wastewater for citizens including treatment, personnel costs for public employees, capital improvement projects, and sub-regional debt service payments.
- General government - includes expenses for general administration of the City including the City Council, City Manager, City Attorney, Finance, Human Resources, City Clerk, and Recreation.
- Public Works - all expenses incurred in order to provide the City with engineering, streets, storm drains, parks and building operations maintenance services.

For fiscal year ending June 30, 2018 expenses increased primarily within Public Safety related to the allocation of Citywide expenses totaling \$354,048, personnel and benefits increases of approximately \$113,000, and other safety focused capital improvement projects. See page 5 for totals by revenue category.

Total Revenues & Expenses Last Ten Fiscal Years

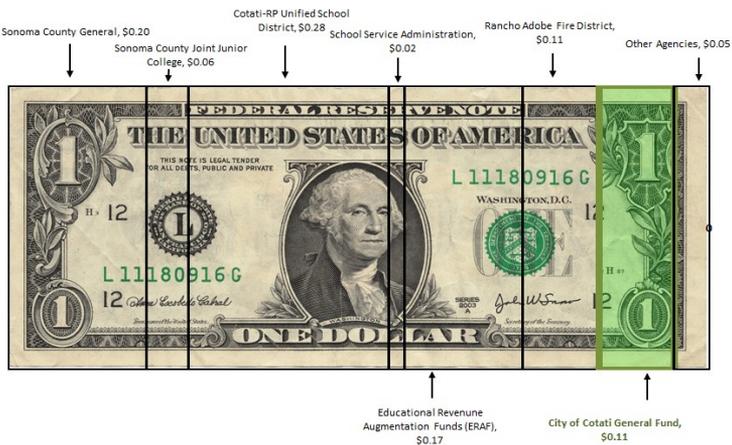


Overall the City's operational revenues vary more than expenses with major fluctuations including a decrease in 2013 of approximately \$2.7 million due to the loss of the redevelopment property tax receipts, then one-time increases in 2009, 2014 and 2016 primarily related to capital grants and contributions totaling approximately \$3.4, \$1.6 and \$4.2 million respectively. Revenues from 2016 through 2018 have also increased due to the Voter approved Measure G 1% Sales tax. City expenses have remained mostly consistent as it is a priority to use public dollars responsibly.

Where Your Property Tax Dollar Goes...

Under Proposition 13, property tax is levied on the assessed value of a property by the County, equal to 1% of the assessed value. For taxes levied and collected by the County on properties within the City of Cotati, the City only receives 11 cents on each property tax dollar.

Schools receive a total of 53 cents on the dollar, including the Cotati-RP Unified District, Santa Rosa Junior College District, and the State Education Augmentation Fund, and Schools Administration. The remainder is allocated to County government (20 cents); Rancho Adobe Fire District (11 cents); and other agencies (5 cents).



City of Cotati Facts¹

Population	7,586 ²	Area	1.88 square miles
Elevation	112 feet	Miles of Streets	22
Acres of Parks	30.4	Streetlights	312
Traffic Signals	8	Manholes	9,147
Water Main Miles	30	Fire Hydrants	432

Averages

Low Temperature	38-53 degrees	Median Age	36.4 years
High Temperature	57-82 degrees		
Annual Precipitation	25" October to May		

¹Estimates

²Population has increased 4.3% from 7,272 in calendar year 2016.

Cotati City Council (June 30, 2018)



Mark Landman
Mayor



John Dell'Osso
Vice Mayor



Susan Harvey
Councilmember



John Moore
Councilmember



Wendy Skillman
Councilmember

City of Cotati Online

Visit the City of Cotati Website at <http://www.cotaticity.org/>

The City's website includes information about:

- Councilmembers
- Council Meetings/Agenda
- Recreation Programing
- Job Opportunities
- City Permits and Forms
- City Newsletter
- Department Information
- Water/Sewer Utility Management

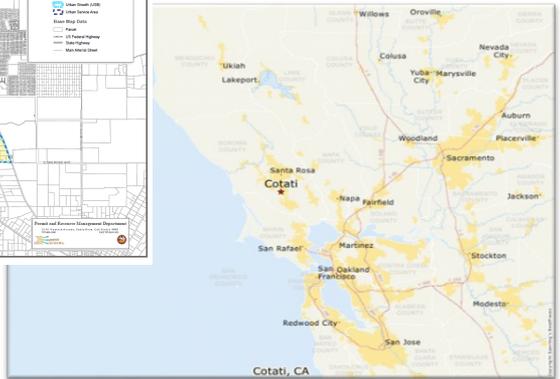
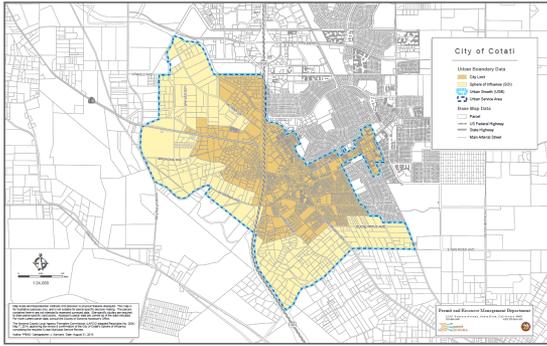
Financial Information

- Budget
- Annual Financial Statements (CAFR)
- Cotati Annual Report to the Community
- Annual Measure G Reports
- City Master Fee Schedule
- AB 1600 Annual Reports on Development Impact Fees

Online Services

- Provide Suggestions to City
- Register for Recreation Camp/Class
- Apply for a Dog License
- Rent a City Park or Facility
- View Building Permits
- Pay Utility Bills
- Apply for City Jobs
- Emergency Preparedness City Plan/Alert Sign Up

City of Cotati Map



Brief Summary of Terms

Audit: an annual examination performed by an independent accountant firm of the City's internal controls and finances.

Comprehensive Annual Financial Report (CAFR): is a set of comprehensive financial statements on the financial state of the City as of the fiscal year end.

Enterprise Funds: a part of government that accounts for the goods or services provided to the public for a fee and is self-supporting, similar to a private business. Example includes Water and Sewer operations.

Fiscal Year (FY): a twelve month period from July 1-June 30 to which the annual budget applies, and financial transactions are recorded.

Fund: a grouping of accounts used to record all the special purpose financial transactions for which the fund was created.

Fund Balance: the difference between assets and liabilities—in essence, what would be left over if the assets were used to pay the liabilities.

Fund Financial Statements: detailed information on the primary governments funds whereby fund assets are expected to be used within a year and current year liabilities are typically expected to be repaid or satisfied with current resources.

Generally Accepted Accounting Principles (GAAP): uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles.

Government Finance Officers Association (GFOA): a professional association of state, provincial, and local finance officers in the United States and Canada.

Government-wide Financial Statements: report financial information based on when expenses occur and revenues are earned rather than when cash transactions occur, similar to that of a private business.

Net position: the calculation of all of the City's assets minus the current and future liabilities and net pension deferrals.

Restricted Fund Balance: this represents funding that can only be spent for very specific purposes, generally due to laws.

Transient Occupancy Tax (TOT): a tax imposed on travelers who stay in temporary lodging facilities within the City. The current tax rate is ten percent of the rent charged by the operator (CMC 3.12.030).

Acknowledgements

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Administrative Services Department. We would like to express our special appreciation to Angela Courter, Angela Schoenthal and Neil Tomlinson. We would also like to thank the Mayor and City Council members for their support, stewardship and commitment in planning and conducting the financial affairs and the long-term fiscal health of the City in a responsible and efficient manner. For more information about the City or to view the CAFR please visit www.cotaticity.org.

City of Cotati Department of Admin. Services

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