



Sonoma County, California



CITY OF COTATI

Annual Financial Report to the Community Fiscal Year Ended June 30, 2021



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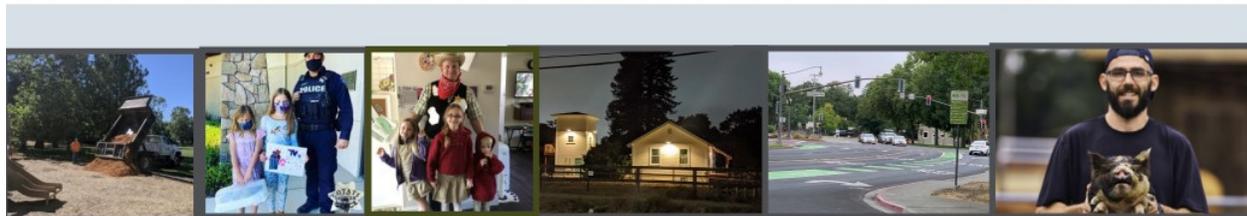




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To the Residents of Cotati,

The City is proud to present you with Cotati's **Popular Annual Financial Report (PAFR)** to the Community for the fiscal year (FY) ended June 30, 2021. 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 2020/21 **Annual Comprehensive Financial Report (ACFR)**. To promote complete transparency of the City finances, we remain dedicated to preparing a full **ACFR** 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)**. The **ACFR** was 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 **ACFR**, 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 on 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 **ACFR**. Both the **ACFR** 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.

Although the City and surrounding region has continued to strengthen economically over the last year, unemployment in Cotati has risen consistent with the State and Sonoma County.

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 decreased to 7,584 residents in 2020 due to demographic changes in household types and fewer student residents as a result of the COVID-19 closure of Sonoma State University. Cotati is projected to grow 3.3% by 2022.

Financial Highlights for Fiscal Year 2020/21

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 annual 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 \$3.4 million, in part due to the Street Improvements and Traffic Safety Projects, and the purchase of emergency equipment.
- Cash and investments increased by \$1.6 million to \$20.8 million. During COVID-19 the City reduced planned capital expenditures while planning for decreased revenues. However, revenues remained consistent compared to prior years which allowed for increased cash on hand.
- The General Fund's end of year fund balance was \$9.2 million; an almost 18.5% 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, 2021</u> | <u>As of June 30, 2020 (restated)</u> |
|--|--------------------------------|---|
| Assets | | |
| Current and other assets | \$ 21,982,740 | \$ 20,355,864 |
| Capital assets | <u>40,503,415</u> | <u>38,431,763</u> |
| Total Assets | <u>62,486,155</u> | <u>58,787,627</u> |
| Deferred Outflow of Resources | | |
| Deferred outflows or resources related to pensions | <u>2,396,015</u> | <u>2,653,020</u> |
| Liabilities | | |
| Current and other liabilities | 1,479,442 | 1,556,634 |
| Long-term liabilities | <u>11,252,399</u> | <u>10,851,889</u> |
| Total Liabilities | <u>12,731,841</u> | <u>12,408,523</u> |
| Deferred Inflows of Resources | | |
| Deferred inflows of resources related to pensions | <u>698,265</u> | <u>937,906</u> |
| Net Position | | |
| Net investment in Capital assets ¹ | 40,484,629 | 38,410,925 |
| Restricted net position ² | 5,697,447 | 5,595,389 |
| Unrestricted net position ³ | <u>5,269,988</u> | <u>4,085,851</u> |
| Total Net Position | <u>\$ 51,452,064</u> | <u>\$ 48,092,165</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.

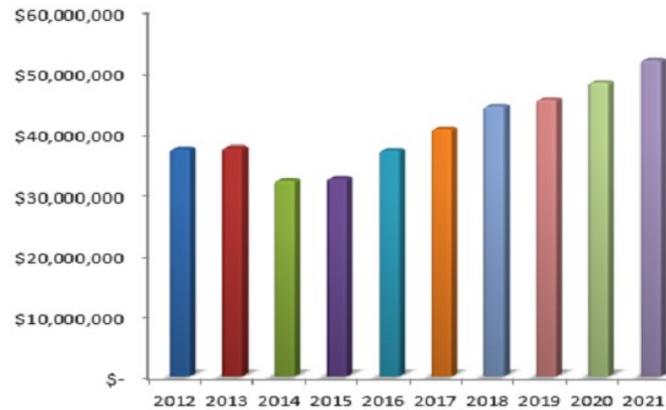
WHAT ARE YOUR PRIORITIES FOR OUR CITY?



WE WANT TO HEAR FROM YOU!
CHECK THE MEETING CALENDAR FOR UPCOMING BUDGET PLANNING SESSIONS.

*Detailed financial reports can be found in the City’s FY 2020/21 **ACFR** available on the City’s website at <https://tinyurl.com/Cotati-ACFR> 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 required 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 continuing to provide the budget in brief document for the public, updating our mid-year budget evaluations and receiving two different budgetary awards for multiple years. The awards won include the **California Society of Municipal Finance Officers (CSMFO)** Operating Budget Excellence Award and the **Government Finance Officers Association (GFOA)** Distinguished Budget Award. In addition to the budgetary awards, the City became the proud recipient of the 2019 GFOA Triple Crown Award, one of only 292 government agencies across the United States and Canada, and the only city in Sonoma County to earn this recognition. The GFOA's Triple Crown recognizes governments who have received GFOA's Certificate of Achievement for Excellence in Financial Reporting, Popular Annual Financial Reporting Award, and the Distinguished Budget Presentation Award.

The City has continued to expand communication with our citizens through the use of social media, City website, YouTube, a Public Access TV channel, Nixle/WaterSmart/Utility notifications, utility newsletters and publication of Activity Guides. Due to Covid-19 this has further expanded to Zoom based City Council meetings, as well as expanded access to City Services and related forms available online for 24/7 access by our community.

To address the economic development goals of the City, we expanded support for local business by allowing flexibility with permitting to promote outdoor dining. Additionally we continued work towards the development of a 152 room hotel to be located at the City's northern gateway area, and revisions of the zoning code to allow greater flexibility to meet the new retail environment.

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.

The City continues to focus infrastructure improvements on the restoration of streets and City park upgrades.



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.

| | FY 2020/21 | FY 2019/20 (restated) |
|--------------------------------------|----------------------|------------------------------|
| <i>Revenues:</i> | | |
| <i>Program revenues:¹</i> | | |
| Charges for services | \$ 7,361,081 | \$ 7,023,838 |
| Operating grants and contributions | 743,354 | 850,304 |
| Capital grants and contributions | - | - |
| | 8,104,435 | 7,874,142 |
| <i>General Revenues:²</i> | | |
| Property taxes | 1,774,242 | 1,813,280 |
| Sales and use taxes | 6,004,019 | 5,091,824 |
| Other taxes | 1,192,032 | 1,054,055 |
| Other revenue | 281,573 | 432,168 |
| | 9,251,866 | 8,391,327 |
| Total Revenues | 17,356,301 | 16,265,469 |
| <i>Expenses:³</i> | | |
| General government | 1,238,745 | 1,808,561 |
| Public safety | 4,186,303 | 4,081,647 |
| Community development | 972,578 | 644,933 |
| Public works | 1,857,882 | 1,995,816 |
| Interest on long-term debt | 965 | 1,911 |
| Water | 2,300,046 | 2,086,615 |
| Wastewater | 3,439,883 | 2,931,726 |
| | 13,996,402 | 13,551,209 |
| Total Expenses | 13,996,402 | 13,551,209 |
| Change in Net Position | 3,359,899 | 2,714,260 |
| Net Position - Beginning as restated | \$ 48,092,165 | \$ 43,377,905 |
| Net Position - Ending | \$ 51,452,064 | \$ 48,092,165 |

¹Revenues derived directly from fees, charges and grants

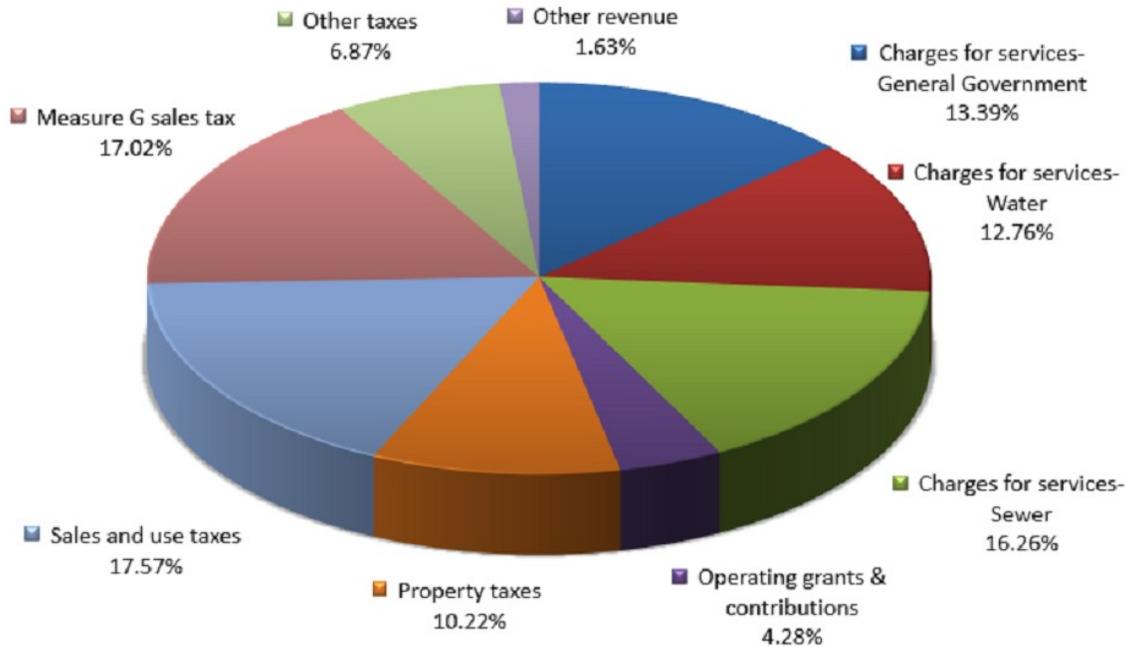
²All revenues that are not related to programs

³The expenses for fiscal year 2019/20 and Beginning Fund balance for 2020/21 have been restated due to adjustments required for the reclassification of the Community Facilities District Fund. Total expenses in total City-Wide increased in 2020/21 by approximately \$1.1 million, primarily within the Public Safety, Community Development, Water and Waste water activities. See page 7 for further detail.

Please see the City of Cotati 2020/21 ACFR for more detail.

Revenues

Where the money comes from...



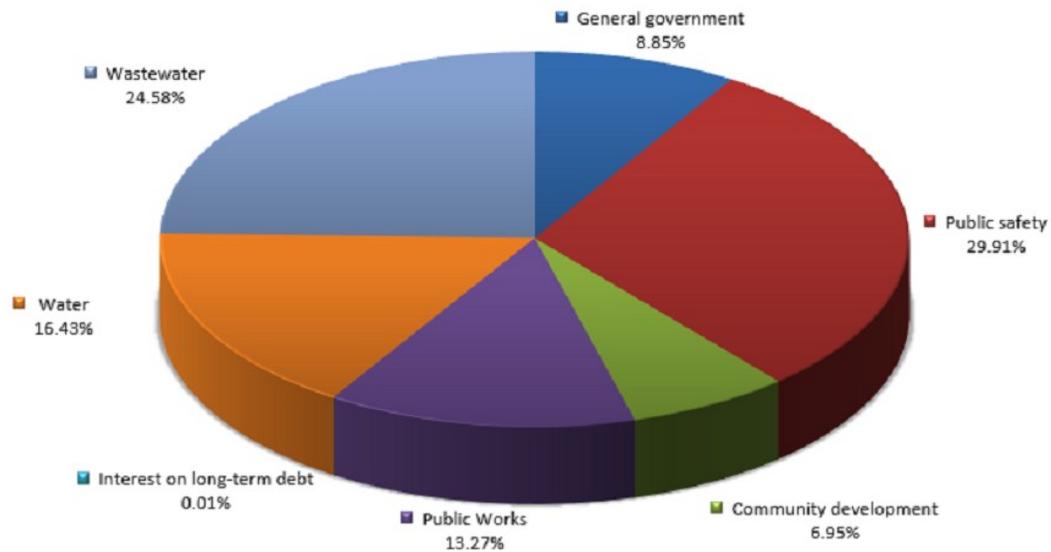
- **Charges for services - General Government** - payments received directly by the City for services performed. This would include charges such as, development services fees, code enforcement fines, and business licenses.
- **Charges for services - Water** - payments received directly from customers 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.
- **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.
- **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, 2021, revenues primarily changed due to increases in charges for services related to development and related permit issuance. Additionally Sales tax revenues continued to increased due to County Pool allocations and the Way-fair Decision. See page 5 for totals by revenue category.

*Detailed financial reports can be found in the City's FY 2020/21 **ACFR** available on the City's website at <https://tinyurl.com/Cotati-ACFR> or at City Hall.

Expenses

Where the money goes...

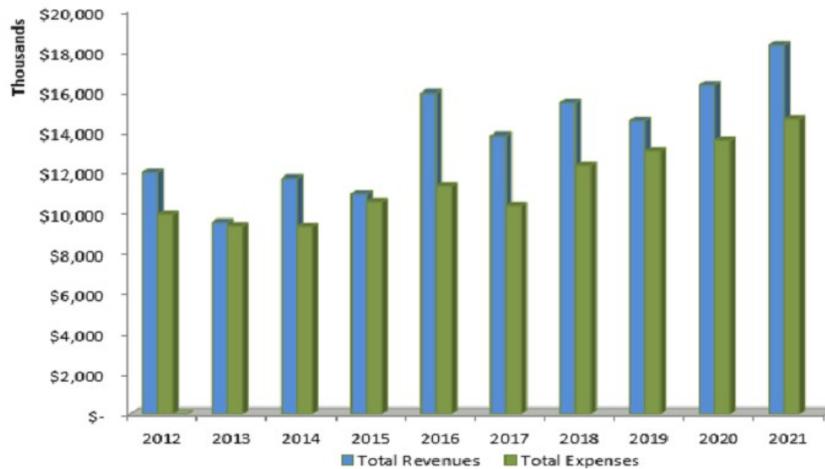


- **Community development** - reflects services provided to residents and businesses including Planning, Building and Code Enforcement.
- **Public safety** - includes all aspects of law enforcement as well as capital projects with a safety focus.
- **Water** - all expenditures required for the delivery of water to our customers including purchasing water, personnel costs, capital improvement projects, and debt service payments.
- **Wastewater** - all expenditures required for the removal of wastewater for citizens including treatment, personnel costs for public employees, capital improvement projects, and subregional 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, Insurance and all activity for the newly created internal service funds for vehicle replacement and compensated absences.
- **Public Works** - all expenditures incurred in order to provide the City with engineering, streets, stormdrains, parks and building operations maintenance services.
- **Interest on long-term debt** - indirect expense of interest paid on general long-term debt incurred by governmental capital improvements.

For fiscal year ending June 30, 2021 expenses increased primarily within Public Safety, Community Development, Water, and Wastewater. The increase in public safety is primarily due to emergency operations activities. Increased Community Development expenses are related to increased permit issuance and inspections. Increases in Water and Wastewater are primarily due to the costs of purchasing water from Sonoma County Water Agency and processing wastewater through the Santa Rosa Subregional Waste Water Treatment Plant.

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Total Revenues & Expenses Last Ten Fiscal Years

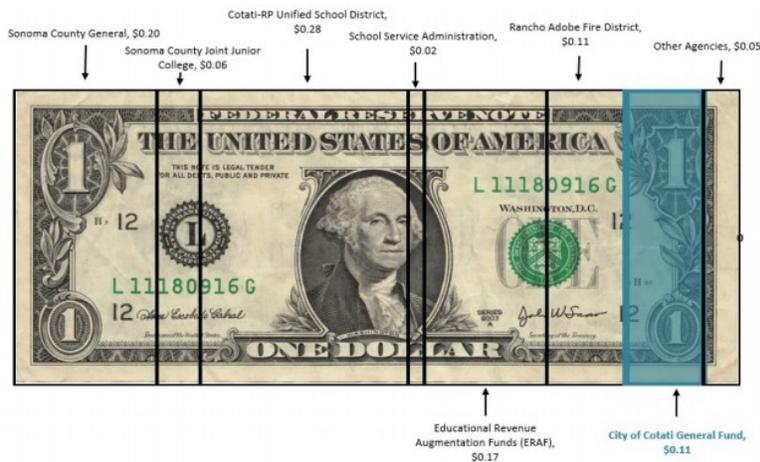


Overall, the City’s operational revenues vary more than expenses with major fluctuations including a decrease in 2013 of approximately \$2.7 million due to the loss of the redevelopment property tax receipts, then one-time increases in 2009, 2014 and 2016 primarily related to capital infrastructure grants and contributions totaling approximately \$3.4, \$1.6 and \$4.2 million respectively. Revenues from 2016 through 2021 have also increased due to the Voter approved Measures G & S 1% Sales tax. City expenses have remained fairly consistent over time, but have seen an increase in the past two fiscal years due to significant investment in capital improvements throughout the City .

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 | 7,584 ² | Area | 1.88 square miles |
| Elevation | 112 feet | Miles of Streets | 23 |
| Acres of Parks | 30.4 | Streetlights | 331 |
| Traffic Signals | 8 | Manholes | 9,147 |
| Water Main Miles | 30 | Fire Hydrants | 438 |

Averages

| | |
|----------------------|--------------------|
| Median Age | 35.8 years |
| Low Temperature | 38-53 degrees |
| High Temperature | 57-82 degrees |
| Annual Precipitation | 25" October to May |

¹Estimates

²Population has decreased 0.5% from 7,619 in calendar year 2019.

Cotati City Council (June 30, 2021)



John Moore
Mayor



Mark Landman
Vice Mayor



Susan Harvey
Councilmember



Ben Ford
Councilmember



Laura Sparks
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

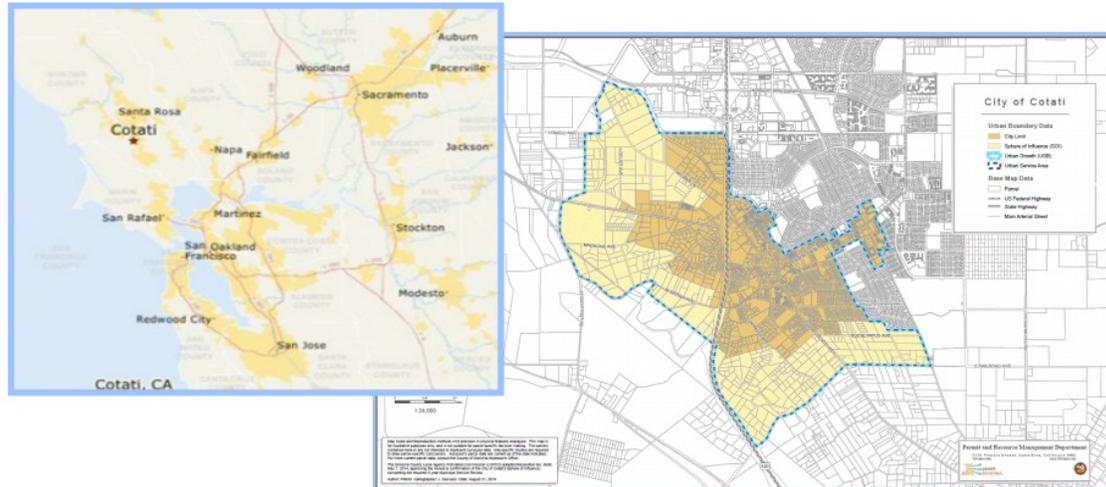
Financial Information

- Budget
- Annual Financial Statements (**ACFR**)
- Cotati Annual Report to the Community (**PAFR**)
- Annual Measure S 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 and pay for a Dog License
- Rent a City Park or Facility
- Apply for Building & Alarm Permits
- Pay Utility Bills/Stop & Start Service
- Apply for City Jobs
- Emergency Preparedness City Plan/Alert Sign Up
- Apply and pay for a Business License

City of Cotati Map



For detailed map visit: <https://tinyurl.com/2p8tzej3>

Brief Summary of Terms

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

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

California Society of Municipal Finance Officers (CSMFO): a professional association of state, county, and local government finance officers in California.

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 and subsequently audited.

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 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 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.

Popular Annual Financial Report (PAFR): a financial report specifically designed to be readily accessible and easily understandable to the general public.

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).

City of Cotati Department of Admin. Services

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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 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 full ACFR please visit <https://tinyurl.com/Cotati-ACFR> and for more financial information visit the City Website at www.cotaticity.org.

