

**City of**  
**MARTINEZ**  
**California**



**Comprehensive**  
**Annual Financial Report**  
**for the**  
**Fiscal Year Ended**  
**June 30, 2021**

**CITY OF MARTINEZ, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021**



**Prepared by  
ADMINISTRATIVE SERVICES DEPARTMENT**



**CITY OF MARTINEZ, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**ADMINISTRATIVE SERVICES DEPARTMENT**

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**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2021**

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February 24, 2022

## **Honorable Mayor and Council Members**

State law requires that all general-purpose local governments publish a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP), within six months of the close of each fiscal year. Therefore, we are pleased to present the City of Martinez's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. The City is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly set forth the financial position and results of operations of the City measured by the financial activity of its funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Government Code of the State of California requires general law cities, such as the City of Martinez, to have its financial statements audited by an independent certified public accountant. Accordingly, this year's audit was completed by the accounting firm of Maze & Associates. The firm was engaged by the City Council to render an opinion of the City's financial statements in accordance with generally accepted auditing standards. To ensure complete independence, Maze & Associates has full access to the City Council to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of financial reporting. The auditor's report on the basic financial statements is the first item in the accompanying financial statements.

GAAP requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

## **Profile of Martinez**

The City's roots can be traced back to 1824 when the Alhambra Valley was included in the Rancho El Pinole Mexican land grant to Ygnacio Martinez. By the late 1840's, the City was a ferryboat transit point across the Carquinez straits on the way to the gold fields of California. The City was officially incorporated in 1876 and serves as the County seat



of Contra Costa County. It is located along the Sacramento and San Joaquin rivers in the central part of the County. By the time of its incorporation, Martinez had evolved into one of the area's most significant trading posts and shipping ports. Today, the City covers over 13 square miles and has approximately 37,658 residents. As one of California's first towns, Martinez retains a strong sense of history and family. The renowned naturalist John Muir made Martinez his home for nearly a quarter century and in 1914, the year of Muir's death, the legendary baseball great Joe DiMaggio was born here. One of the unique aspects of Martinez is its architecture. Many of the downtown shops still retain their early 20th century look and charm, with some homes dating back more than 125 years.

The City operates under the Council-Manager form of government. The City Manager is responsible for the efficient implementation of Council policy and the effective administration of all City government affairs. The City is organized into four departments reporting directly to the City Manager. They are Administrative Services, Community and Economic Development, Police and Public Works.

The City provides a full range of services including police, public works, community and economic development, planning, building, engineering and inspection, parks and recreation, and general administrative services. The City's General Fund supports these services. The City enterprise operations consist of the Parking Services, Water System, and Marina Services funds. All these services are accounted for in the City's financial statements.

### **Economic Outlook**

The Third Quarter 2021 Gross Domestic Product (GDP) released by the U.S. Department of Commerce Bureau of Economic Analysis increased at an annual rate of 2.3 percent, following an increase of 6.7 percent in the second quarter. The increase was revised up 0.2 percentage point from the "second" estimate released in November. The deceleration in real GDP in the third quarter was led by a slowdown in consumer spending. A resurgence of COVID-19 cases resulted in new restrictions and delays in the reopening of establishments in some parts of the country. The third quarter increase in real GDP reflected increases in inventory investment, consumer spending, state and local government spending, and business investment that were partly offset by decreases in exports, housing investment, and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased. California had the highest unemployment rates for November improved at 6.9% in November, compared to 4.2% for the United States. The November rate was up 0.2%, from 6.7% for the same time last year.



According to the Fall 2021 report prepared by Beacon Economics, LLC, the East Bay labor market added 6,900 jobs in August, the latest numbers available, bringing nonfarm employment to 91.8% of February 2020 levels. This marks the third straight month of employment growth in the East Bay following payroll declines in December 2020 and January 2021 when COVID-19 cases were resurging, and public health mandates were re-imposed. The region's total labor force was stagnant in the latest numbers but still remains 2.9% below pre- pandemic levels

Although the East Bay continued to add jobs in August, the region has recovered only 50% of the positions lost in March and April 2020, trailing the recovery rate in California overall. Regionally, the East Bay's recovery leads the San Francisco metro (45% recovery) but remains behind the South Bay (56% recovery). With half of pre-pandemic jobs yet to be regained, the trajectory of recovery among different industries has varied significantly. While industries such as Leisure and Hospitality and Other Services have seen strong growth in recent months, they still have a long way to go to recover all the jobs lost following April 2020's historic decline.

According to the California Association of Realtors there was a surge in home sales and prices across the East Bay. In Alameda County, where the median price of existing single-family homes was \$1.05 million in November 2020, the figure now stands at \$1.30 million, a 23.9% increase. The jump in Contra Costa County was smaller, from \$810,000 in November 2020 to \$876,000, an 8.1% increase.

### **Major Initiatives and Objectives**

**Transportation Improvements.** The City continues to make progress on substantial road pavement and repair work. Martinez voters overwhelmingly adopted Measure D in November 2016; a half-cent sales tax initiative projected to supply approximately \$4 million per year for paving from now until 2032. City Council has approved several pavement preservations projects, funded in part or in whole by Measure D, over the past three years, and will continue to do so through 2032. Martinez's overall street system Pavement Condition Index (PCI) has risen from a value of 58 to a value of 66 over the past three years and will continue to rise in the foreseeable future as more pavement preservation work is accomplished by the City. Due to the April 2017 passage of SB 1, the \$52 billion State transportation bill (Senate Bill or SB1), the City receives an estimated \$1.5 million per year in Road Maintenance and Rehabilitation Account (RMRA) funds and \$100,000 per year in Local Streets and Roads (LSR) Local Partnership Program (LPP) funds. These funds which are administered by the California Transportation Commission



(CTC) are also available for additional pavement preservation. With these substantial new recurring funding sources, the City is better equipped than ever before to address much-needed pavement preservation concerns. Some of the more significant projects include:

The Downtown Arterial Pavement Project completed in June of 2021 rehabilitated pavement on Court and Pine Streets from Marina Vista to Susana, and on Berrellesa from Marina Vista to Jones. The project cost \$1.2 million. Major funding was provided by SB 1 RMRA funds and by a project supplement agreement which provided for \$200,000 in CTC Local Partnership Program matching funds

The Pacheco Boulevard / Arnold Drive Intersection Improvements project will provide for a new traffic signal and widening at this intersection. Plans for the project are 95% complete. Total project is estimated to cost \$3,500,000. Major project funding will come from Measure C/J. A significant portion of the project affects the County and a joint effort with the County is being undertaken to identify additional funding. The program for 2021-22 includes undergrounding of overhead utilities.

The Three City Paving Preventative Maintenance Project, City Project No. C1068 will rehabilitate pavement on streets throughout the City. The estimated \$4 million project is funded by Measures & J, SB1 RMRA and Highway Users Account (HUTA) Gas Tax.

Finally, in FY 2022-23 the City will repave Alhambra Avenue from Marina Vista Avenue to Jones Street. A One Bay Area Government Cycle 2 (OBAG 2) federal grant in the amount of \$848,000 will be the primary source of funding. The remainder of the approximately \$1.5 million cost of this project will be paid with SB1 RMRA and CCTA Measure J funds. The project will follow the rehabilitation of the sewer system in this arterial street by Central Contra Costa Sanitary District.

**Water System Capital Improvements.** The City Water System is in the process of major renovations and improvements that are being implemented over a multi-year period. The need and preliminary budgets for these improvements were established in the 2012 Water Master Plan. A Water System Finance Plan and Rate study prepared by Municipal Financial Consultants was approved by Council in April of 2019. The City issued \$8.4 million in revenue bonds to finance a major element of the plan, the Ozone System Improvements Project at the Water Treatment Plant. The estimated Capital Improvement Program (CIP) expenditures including the Ozone project improvements are approximately \$2.7 million in Fiscal Year (FY) 2020-21 and \$6.6 million in FY 2021-22.



- Annual Water Main Replacement Project: The City must continue to replace aging water mains that are reaching the end of their useful life. A total of \$400,000 was programmed for FY 2019-20 and \$860,000 in FY 2020-21. The budgets for as yet unidentified mainline replacement projects will be moved forward to the FY 2021-22 / 2022-23 budget cycle to allow for the completion and implementation of the water main failure prediction model.
- Webster Pump Station Replacement Construction: The Webster Pump station was constructed in 1971. The conceptual design of this project was approved in FY 2016-17 pursuant to the recommendations of the 2012 Master Plan. Construction was originally scheduled for summer of 2020 but has been placed on hold. pending development of the results of the Alhambra Highlands ballot initiative. The development, if approved would require the developer to construct a reservoir and to upgrade this and other facilities in the area.
- WTP Ozone Generator Replacement: The design for a replacement system was completed in FY 2019-20 and construction which includes the replacement of the current air supply system with liquid oxygen, nitrogen and hydrogen and the installation of a chlorine backup disinfection system and code compliant safety improvements to fire prevention and ventilation systems is underway. The estimated cost of construction including construction inspection, management, and inspection is approximately \$7 million. Construction will extend through the fall of 2022.
- AWIA Risk and Resilience Assessment and Emergency Response Plan – Section 2013 of the American Water Infrastructure Act (AWIA) requires the City to prepare assessment of the risks and reliance of the water system to a natural hazards and malevolent attacks (i.e., all hazards). The studies were completed in the FY 2020-21 at an approximate cost of \$100,000.
- Urban Water Management Plan- The City is required to update its “Urban Water Management Plan” every five years. The plan requires an evaluation of water consumption and conservation measures employed for the previous five-year interval (2016 through 2020). The plan was completed and certified with the State Department of Water Resources at a cost of approximately \$80,000 in July of 2021.
- Reservoir Seismic Evaluation – The City solicited a proposal from Brown and Caldwell in 2018 to prepare a seismic evaluation of the City’s existing water storage reservoirs. This study was completed in January of 2022 at an estimated cost of \$177,000. and provides essential data to be included in the AWIA study. The study will provide essential information for future CIP planning and for possible grant applications.



**General Plan Update.** The City of Martinez is in the process of updating its General Plan; the comprehensive, long-term plan for the physical development of the City. Much of the City's existing General Plan was adopted in 1973. After more than three and a half decades of use, scope and content of the document must be updated to reflect the community's shared vision for the future development in Martinez. This project was initiated several years ago but slowed down due to limited staff capacity and ongoing issues related to land use litigation. The City has recently amended contracts with its General Plan Update consultants with a targeted completion date of Fall of 2022. The City also begun its Housing Element Update which will need to be adopted by the end of 2022. A comprehensive Zoning Ordinance update will be initiated after adoption of the new General Plan and Housing Element Update.

**Downtown Parking Study.** The City of Martinez is in the process of completing a study to help inform parking policy in the downtown due in part to an unprecedented level of economic vitality in the Downtown. The study will describe the existing parking supply and demand, identify strategies to improve parking availability, address meter enforcement, and look at the feasibility of structured parking on Lot 4. Work on the Downtown Parking Study is anticipated to be completed by the end of April 2022.

**Cannabis.** The City adopted a Cannabis Management Program in May of 2019. To date, all of the allowable cannabis permits have been issued, including: two retail commercial cannabis operator's permits, one non-storefront retail, one distribution, and one manufacturing business.

**Marina.** Planning for the long-term future of the marina has been a key issue for many years. The City received a grant of marina trust lands in September 2014 through Senate Bill 1424 which requires trust lands be held by the City, as trustee, for the benefit of all the people of the State for purposes consistent with the public trust doctrine. The doctrine includes protecting maritime or water dependent commerce, navigation, and fisheries, and the preservation of the lands in their natural state for scientific study, open space, wildlife habitat and water-oriented recreation. The marina is an integral part of the shoreline experience that many residents of the region enjoy on a regular basis. It provides opportunities for landside and water recreational experiences, as well as education and research. SB 1424 will help maintain and preserve the Martinez Marina for the enjoyment and use by residents, businesses and public service agencies.

As a condition of the land grant, the City was required to submit a Trust Lands Use Plan (TLUP) by January 1, 2020. The City submitted the first version of a Trust Lands Use



Plan to the State Lands Commission (SLC) in November of 2019. The City received comments from the SLC requesting additional information, and in July 2021, the City received confirmation from the SLC that the TLUP can be combined into a comprehensive specific plan for the Waterfront that emphasizes linkages to the Intermodal Facility, downtown and the rest of the community. This document will be known as the Waterfront and Marina Trust Land Use Plan and the City is in the process of preparing a Request for Proposals (RFP).

The City is also evaluating options for a 2022 dredge of priorities areas within the Martinez Marina. The City Council approved funding for an initial bathymetric survey as part of the FY 2021-22 Capital Improvement Program and seed funding from past dredge-related projects was carried forward to fund the potential design and permitting portion of a 2022 dredge operation.

**Economic Development.** The City's priority of economic development is particularly important to increase and diversify revenues, and to respond to the business needs brought on by COVID-19. Over the past year Staff has been working on several key economic development programs to not only support the current business community in the midst of the COVID-19 pandemic, but with an eye to planning for future growth in the community. The most successful program to date was the development and launch of "4Martinez.org" as an online business and visitor portal designed to promote Martinez businesses and a COVID-19 Small Business Recovery Program which featured \$300,000 to be distributed to small businesses through a Microgrant initiative.

#### **Climate Action Plan/Sustainability Programs.**

The City continues to contract with local non-profit environmental education partner New Leaf Collaborative (NLC) to provide and support hands-on learning and leadership opportunities to Martinez Unified School District (MUSD) students through support of recycling program, water conservation and water quality education, both in the MUSD classrooms and campuses and during the summer EcoKids camps hosted by NLC. The City and NLC also partnered to promote a "Passport to Earth Day" program for local students to provide a fun and educational opportunity for the children to participate in Earth Day activities (particularly given the physical event was cancelled due to COVID).

The City's garbage services through Republic Services continues its special "Citywide Cleanup" week in Martinez, special post-holiday packaging collection events, compost giveaways, and the annual "Reuse Roundup" event.

The City's Sustainability Programs Assistant was hired in February 2021 and continues to provide support in the coordination, outreach, and research relating to the City's





Climate Action Plan (CAP) and Sustainability Programs. This position includes a primary emphasis on the planning, development, and implementation of ongoing grant-funded recycling projects with local K-12 schools, with emphasis on creation of virtual educational content suitable for use in K-5 schools. In addition, duties also include researching potential implementation of Greenhouse Gas Emissions Reductions Strategies from the City's CAP, conducting public outreach to residents and businesses supporting sustainability initiatives by tabling, drafting articles, preparing flyers, writing press releases, and making site visits.

The City is also implementing the requirements of SB 1383, which establishes statewide targets to reduce emissions of SLCP of 75% by 2025; and requires that not less than 20% of edible food that is currently disposed of be recovered for human consumption by 2025. Local jurisdictions must comply with the regulations and adopt an ordinance(s) by January 1, 2022, with enforcement beginning January 1, 2024.

### **Financial Information**

***Accounting System and Internal Controls.*** In developing and evaluating the City's accounting system, consideration is given to the accuracy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurances regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the accuracy and reliability of accounting data and the adherence to prescribed managerial policy. The Administrative Services Department has been delegated the responsibility to maintain the integrity of the City's recorded financial data. Accounting for all the City's activities is centralized under the Finance Division. The Administrative Services Department, in conjunction with City management, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft, or misuse. As a recipient of federal, state, and county financial assistance for a variety of projects or programs, the City is responsible for ensuring that an adequate control structure is in place to comply with applicable laws and regulations related to those projects or programs. City administration believes the existing internal control systems are adequate to provide reasonable assurance the City's assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City's "Unqualified" Audit issued for 2020.



**Budgeting Controls.** The City maintains extensive budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the biennial appropriated budget approved by City Council. Activities of all government and business type funds are included in the biennial budget. The budgetary level of control, the level at which expenditures cannot legally exceed the appropriated amount, for the operating budget is at the department level. For the capital improvement budget, the level of control is at the individual project level. The City also utilizes the encumbrance system as a management control to assist in controlling expenditures. All appropriations lapse at year-end; however, encumbrances and appropriations for unfinished capital and other projects are reviewed and, when warranted, re-appropriated as part of the following year's budget. Budget-to-budget comparisons are included in the Financial Section for the General Fund and Special Revenue Funds.

**Debt Administration.** The City generally incurs long-term debt to finance projects or purchase assets that will have useful lives equal to or greater than the related debt.

The General Long-term Obligations Account Group provides accounting control over the principal of the City's general long-term debt. This debt will be repaid only out of governmental funds but is not accounted for in these funds because this debt does not require an appropriation or expenditure in this accounting period. The City's long-term obligations are reported in the Statement of Net Assets.

Proprietary Fund (Enterprise and Internal Service) long-term debt is maintained in the fund that will repay the debt because the City accounts for these funds on a full-accrual basis in a manner similar to that of commercial operations.

Bond premiums, discounts, and issuance costs are recognized during the period of issuance for governmental fund types. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, the bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges. The City's debt is explained in detail in Note 7 to the Financial Statements.

## **District Sales Tax**

Since the passage of Proposition 13 in 1978 and subsequent propositions limiting the ability governments to raise funds Cities have become more reliant voter approved



measured to maintain services. The citizens of Martinez have approved two half-cent measures (discussed below) to maintain the services and infrastructure of the City.

**Measure D** the Martinez Road Improvement and Maintenance Measure that Martinez voters approved in November 2016, went into effect on April 1, 2017. The City began receiving Measure D payments from the State in late June 2017 and is now programming approximately. The City began receiving Measure D payments from the State in late June 2017 and is now programming approximately \$4M in Measure D funds annually.

**Measure X** On November 6, 2018, residents approved Measure X with an approval of over 72%. This Council placed this measure on the ballot to proactively address the significant financial challenges the City faced due to a dramatic increase in costs which would otherwise jeopardize the City's ability to provide high quality public safety and core services to the community. The passage enabled the City to retain experienced public safety personnel and invest in human capital. The annual revenue received from Measure X was approximately \$4.3 million for FY 2021.

### ***General Obligation Bonds***

**Measure H Projects.** The residents of Martinez approved Measure H, a \$30 million Parks, Pool and Library Bond measure in November 2008. A total of \$15 million in bonds were issued in May 2009 and an additional \$10 million in bonds were issued in April 2012. The final \$5 million in bonds were issued in 2017. The projects supported by this bond have included construction of the Rankin Aquatic Center; renovation and expansion of the City library; renovations to Golden Hills, Hidden Lakes, Hidden Valley, Highland Avenue, Holiday Highlands, John Muir, John Sparacino, Nancy Boyd, Susana, Mountain View, Rankin (including Tavan Field), and Waterfront parks; and improvements to tennis and basketball courts at various parks.

A significant Measure H renovation project is in the design phase for improvements to Hidden Lakes Park (concession/restroom replacement and ADA pathways improvements), Cappy Ricks (playground equipment replacement), and Waterfront Park Field 5 (backstop, dugouts, and infield improvements). Construction is planned for the second half of 2022.



### **Other Information**

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Martinez for its annual comprehensive annual financial report for the fiscal year ended June 30, 2019. Due to a nine-month backlog in processing requests, information pertaining to the award for fiscal year 2020 has not been received yet.

A Certificate of Achievement is valid for a period of one year only. Staff believes that the fiscal years 2020 and 2021 annual comprehensive financial reports continue to meet the Certificate of Achievement Program requirements and as such, will provide an update when the award information becomes available.

### **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated services of the Administrative Services Department. Special recognition is given to the Finance Division for their efforts in preparing this report. I would also like to thank the City Council for their support in planning and directing the financial operations of the City.

Respectfully Submitted,

Eric Figueroa  
City Manager

David Glasser  
Finance Director

## **City of Martinez Key Personnel**

**June 30, 2021**

### **City Council:**

Rob Schroder, Mayor

Lara Delaney, Councilmember

Brianne Zorn, Councilmember

Debbie McKillop, Vice Mayor

Mark Ross, Councilmember

### **Council Appointees**

Eric Figueroa, City Manager

Manjit Sappal, Chief of Police

### **Elected Officials**

Richard Hernandez, City Clerk

Carolyn Robinson, City Treasurer

### **City Staff**

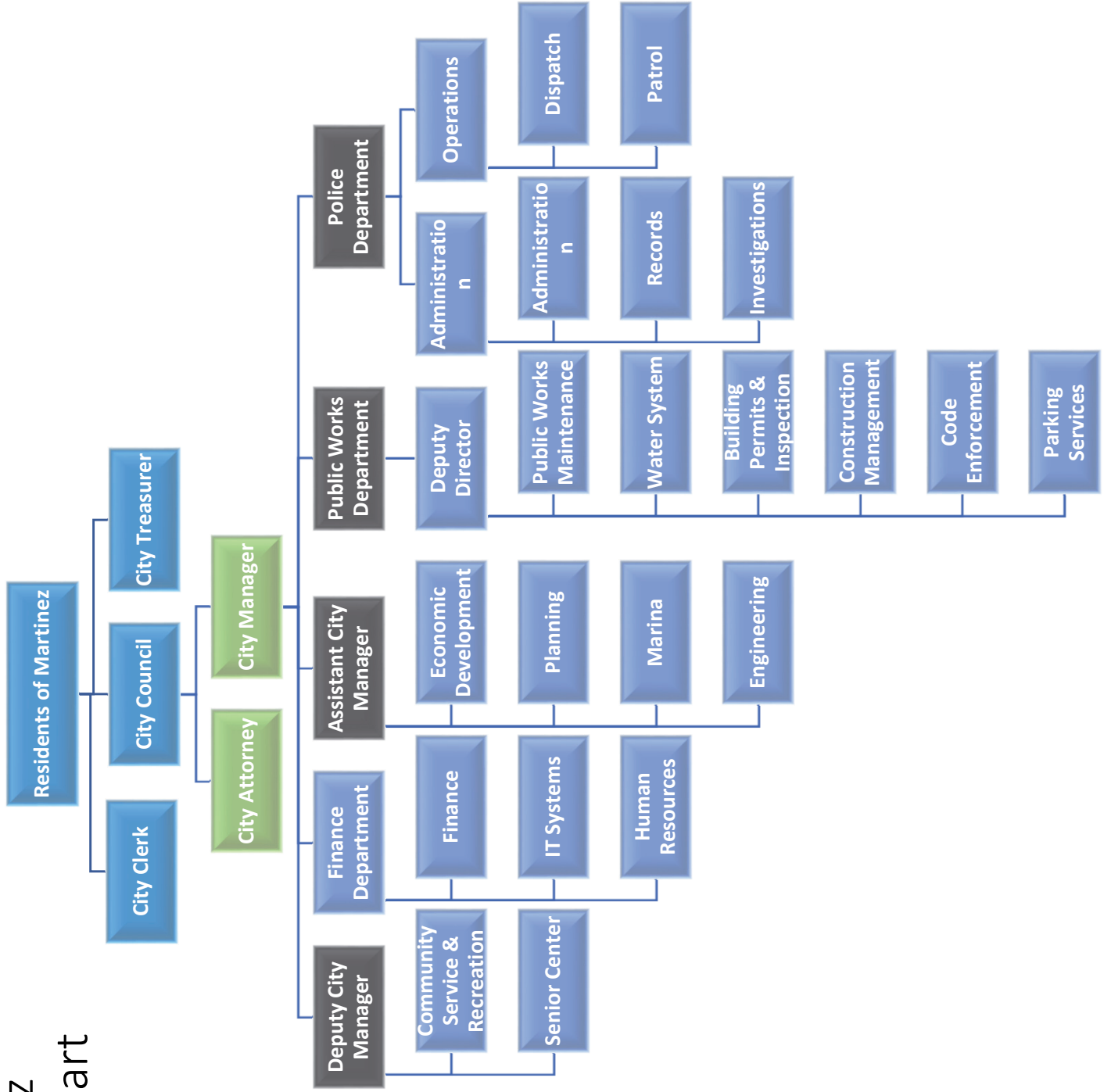
Mike Chandler, Assistant City Manager

Dave Scola, Public Works Director

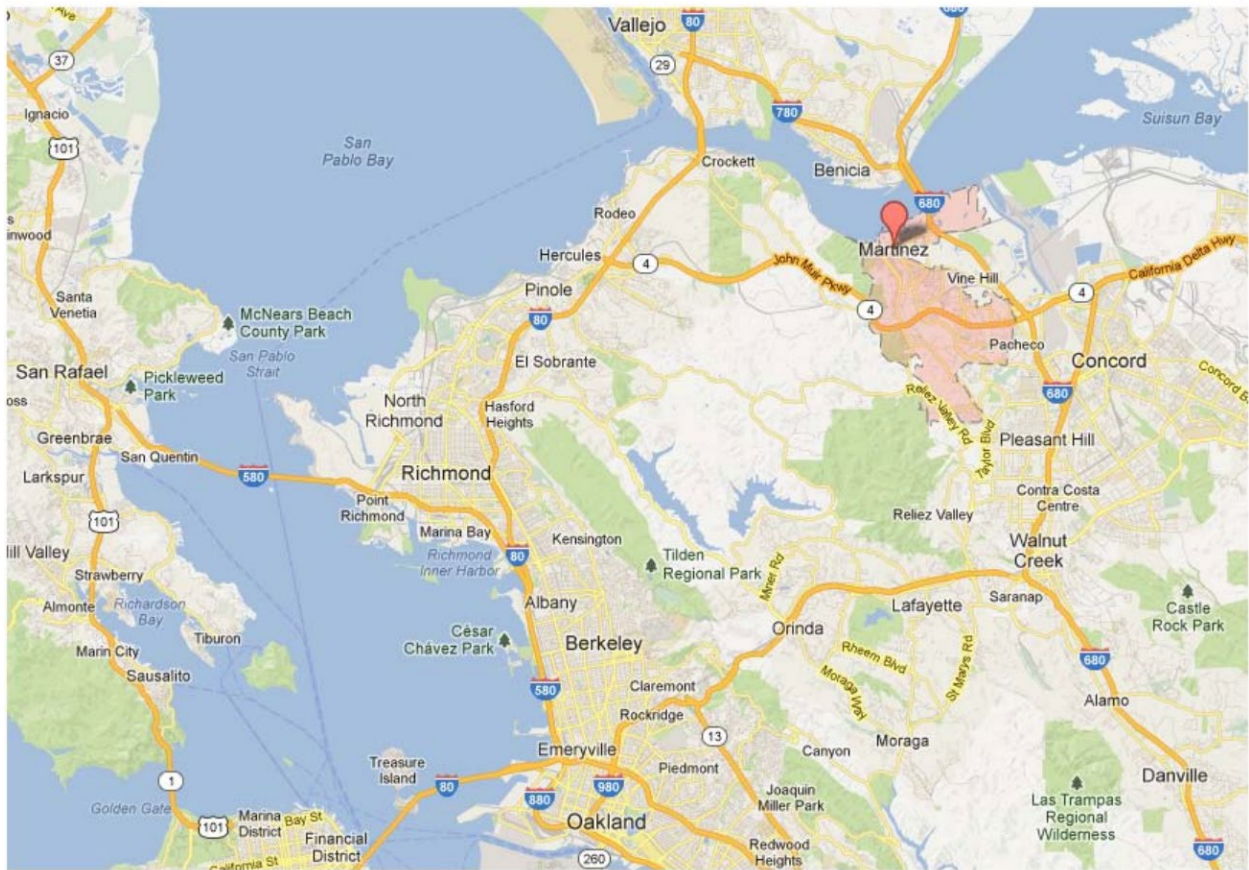
Edric Kwan, City Engineer

David Glasser, Finance Director

# City of Martinez Organizational Chart



## AREA MAP







## INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the City Council  
City of Martinez, California

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 Martinez, California (City), as of and for the year ended June 30, 2021, 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

### *Going Concern over Marina*

The accompanying financial statements have been prepared assuming the City's Marina will continue as a going concern. As discussed in Note 10E to the financial statements, the City's Marina Services Enterprise Fund has an accumulated net deficit of \$3,050,020 as of June 30, 2021 made up primarily of State loans which the City has not had sufficient operating revenues to pay. During the fiscal year ended June 30, 2021, the City did not pay the principal portion due on the State loans that are recorded in the Marina Services Enterprise Fund as discussed in Note 8. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 10E. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### *Change in Accounting Principles*

Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities*, which became effective during the fiscal year ended June 30, 2021 and required the restatements of Fiduciary net position as discussed in Note 1L to the financial statements. In addition, the Statement established the new fund type, Custodial Funds, and eliminated the fund type of Agency Funds.

The emphasis of these matters do not constitute a modification to our opinions.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other 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 as a whole. The Introductory Section, Supplemental 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 Supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental 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.

*Mazf & Associates*

Pleasant Hill, California

February 24, 2022

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Martinez's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the accompanying transmittal letter, the Basic Financial Statements and the accompanying notes to the financial statements.

### FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

City-wide Activities:

- The assets and deferred outflows of resources of the City of Martinez exceeded its liabilities and deferred inflows of resources at the close of June 30, 2020, by \$91,413,022. Of this amount \$49,233,179 Governmental Activities and \$42,179,843 is Business-type Activities.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$38,446,063, an increase of \$6,112,816 in comparison with the prior year. Of this amount, the unassigned fund balance was \$14,140,617, which is available for discretionary spending.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$14,140,617, or 50% of general fund expenditures. This includes \$1,632,122 set aside for contingencies.
- The City of Martinez's total debt decreased by \$6,056,001 during the fiscal year to \$26,372,381 for Governmental Activities and \$16,321,510 for Business-type Activities.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Basic Financial Statements. The two sets of financial statements provide two different views of the City's financial activities and financial position both long term and short term.

**Government-Wide Financial Statements:** The Government-Wide Financial Statements are designed to provide the reader with a broader, long-term view of the City's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City in its entirety, including all its capital assets and long-term liabilities on the full accrual basis, like that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of the City's programs. All the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- *Governmental Activities* – All of the City's basic services are governmental activities, including general government; community and economic development; public safety; public works; recreation, parks, and community services; public improvements; building inspection and code enforcement; planning and zoning; and general administration services. These services are supported by general City revenues such as taxes, and by specific program revenues such as mitigation/impact fees.

- *Business-type Activities* – The City’s three enterprise activities, Parking Services, Water System, and Marina Services, are reported here. Unlike governmental services, these services are supported through user fees based on the amount of the service they use.

The Statement of Net Position and the Statement of Activities report information about the City as a whole. In addition, these two statements report the City’s net position and changes for the year. Over time, increases or decreases in the City’s net position are one indicator of whether its financial health is improving or deteriorating.

**Fund 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. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it’s meeting legal responsibilities for using certain grants and other money.

The City’s fund financial statements are divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds. The Governmental Fund financials are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The Proprietary Fund financials are prepared using the economic resources measurement focus and the accrual basis of accounting. The Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The City’s fiduciary activities are reported in the separate Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

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 which are Major Funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major Funds. Major Funds present the major activities of the City for the year and may change from year to year as a result of changes in the pattern of the City’s activities.

- *Governmental Funds* – Most of the City’s basic services are reported in Governmental Funds, which focus on how much money flows into and out of those funds and the balances left at year-end that are available for spending. The Governmental Fund statements provide a detailed, short-term view of the City’s general government operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The fund financial statements, of governmental funds measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets, long-term debt and other long-term obligation amounts. The City’s Governmental Funds are comprised of the General Fund and Capital Improvements Fund which are considered Major Funds. Non-Major Funds consist of Gas Tax, NPDES Stormwater, Measure J, COPS Grant, Measure H Fund, Measure H Debt Service Fund, Housing In-lieu Fund, PEG Access, Recycling, Lighting & Landscaping and Measure D Fund.

- *Proprietary Funds* – When the City charges customers for services it provides, whether to outside customers or other units of the City, these monies are generally reported in Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial Statements. The City uses three enterprise funds to account for Water System, Marina Services and Parking Services. *Internal Service funds* are used to report activities which provide supplies and services for the City’s other programs and activities. The City uses internal service funds to account for its fleet of vehicles and for its management information systems. Since the City’s Internal Service Funds are proprietary funds used by the City to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide Financial Statements and any related profits or losses are returned to the activities that created them, along with any residual net assets of the Internal Service Funds. Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis and as in the past, include all their assets and liabilities, current and long-term.
- *Fiduciary Funds* – The City is the agent for the Sanitation District #6 which accounts for the operations and maintenance of the treatment facility in the Stonehurst Subdivision. The City is also an agent for certain community organizations, for which it collects and disburses cash and maintains separate cash accounts. The City’s fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its own operations.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major Funds that are Special Revenue Funds.

**Notes to the Basic Financial Statement:** The Notes to the Basic Financial Statements provide additional information that is essential to gain a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic Financial Statements can be found on pages 35 – 75 of this report. Note 10E on page 61 provides information about the Marina Services Enterprise Fund’s ability to continue as a going concern. Note 11 on pages 61 – 67 provides the City’s progress in funding of its obligation to provide pension benefits to its employees.

**Supplemental Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information that combines statements referred to earlier in connection with non-major governmental funds, internal service funds and fiduciary funds. Supplemental information is presented after the notes and can be found on pages 86 – 99.

**Statistical Section:** This section 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position for the City increased \$9,363,812 in 2021 to \$91,413,022 due mainly to increases in Cash and Investments – see Note 3. The annual change comes from the change in net position as recorded in the Statement of Activities which flows through the Statement of Net Position. Governmental Activities are shown in Tables 1 and 2. Business-type Activities, is shown in Tables 3 and 4.

Net investment of capital assets, net of related debt of \$75,832,960 represents the City’s investment in capital assets net of amounts borrowed to finance that investment. Although the City’s investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position represents resources which are subject to external restrictions on how they may be used. This restricted amount totaled \$32,075,212 at June 30, 2021. The remaining balance of unrestricted net position is normally the part of net position that may be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. On June 30, 2021, the unrestricted net position was a negative \$16,495,150.

	Governmental Activities		Business Type Activities		Totals
	2021	2020	2021	2020	2021
Cash and investments	\$39,157,776	\$31,832,890	\$25,719,806	\$14,249,842	\$64,877,582
Other Assets	\$5,343,483	\$6,186,153	\$2,454,890	\$2,229,688	\$7,798,373
Capital Assets	\$76,746,679	\$76,723,804	\$37,237,486	\$37,969,761	\$113,984,165
<b>Total Assets</b>	<b>\$121,247,938</b>	<b>\$114,742,847</b>	<b>\$65,412,182</b>	<b>\$54,449,291</b>	<b>\$186,660,120</b>
Deferred outflow of resources	\$11,818,317	\$12,333,011	\$1,187,543	\$1,384,413	\$13,005,860
Long-term debt outstanding	\$26,372,871	\$27,245,429	\$16,321,510	\$9,392,951	\$42,694,381
Net Pension Liability	\$48,313,713	\$39,304,747	\$5,321,226	\$3,823,002	\$53,634,939
Other Liabilities	\$5,924,524	\$13,067,864	\$2,298,481	\$3,055,936	\$8,223,005
<b>Total Liabilities</b>	<b>\$80,611,108</b>	<b>\$79,618,040</b>	<b>\$23,941,217</b>	<b>\$16,271,889</b>	<b>\$104,552,325</b>
Deferred inflow of resources	\$3,221,968	\$4,300,784	\$478,665	\$669,639	\$3,700,633
Net Position:					
Net Investment in capital assets	\$54,531,198	\$53,354,484	\$21,301,762	\$29,082,407	\$75,832,960
Restricted	\$21,895,782	\$19,257,016	\$10,179,430	\$700,000	\$32,075,212
Unrestricted	(\$27,193,801)	(\$29,454,466)	\$10,698,651	\$9,109,769	(\$16,495,150)
<b>Total Net Position</b>	<b>\$49,233,179</b>	<b>\$43,157,034</b>	<b>\$42,179,843</b>	<b>\$38,892,176</b>	<b>\$ 91,413,022</b>



**Governmental activities** – The Governmental activities increased the City’s net position by \$6,076,145 to \$49,233,179 on June 30, 2021. Below are the changes in net position:

<b>Table 1</b>	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Expenses</b>		
General government	\$ 5,588,905	\$ 2,922,409
Administrative services	\$ 4,146,762	\$ 4,375,268
Public works	\$ 5,410,101	\$ 12,207,496
Community & economic dev	\$ 3,770,737	\$ 7,185,323
Police	\$ 14,922,313	\$ 14,573,169
Interest on long-term debt	\$ 1,069,077	\$ 1,097,253
<b>Total expenses</b>	<b>\$ 34,907,895</b>	<b>\$ 42,360,918</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 2,648,279	\$ 2,156,361
Operating grants & contributions	\$ 4,465,399	\$ 4,150,414
Capital grants & contributions	\$ 1,895,386	\$ 3,101,720
<b>Total program revenues</b>	<b>\$ 9,009,064</b>	<b>\$ 9,408,495</b>
General revenues:		
Property tax	\$ 9,970,017	\$ 9,521,300
Sales tax	\$ 13,328,031	\$ 12,109,821
VLF Property tax swap	\$ 3,793,398	\$ 3,609,753
Other taxes	\$ 2,946,316	\$ 3,799,608
Intergovernmental Unrestricted	\$ 545,431	\$ 87,729
Investment earnings	\$ 156,785	\$ 426,469
Miscellaneous	\$ 805,226	\$ 155,247
<b>General revenues</b>	<b>\$ 31,545,204</b>	<b>\$ 29,709,927</b>
<b>Total revenues</b>	<b>\$ 40,554,268</b>	<b>\$ 39,118,422</b>
Change in net position before transfers	<b>\$ 5,646,373</b>	<b>\$ (3,242,496)</b>
Transfers	\$ 429,772	\$ 364,992
<b>Change in net position</b>	<b>\$ 6,076,145</b>	<b>\$ (2,877,504)</b>
<b>Total Net Position</b>	<b>\$ 49,233,179</b>	<b>\$ 43,157,034</b>

The cost of all Governmental activities was \$34,907,895 Fiscal Year 2021. A portion of the cost for these activities was paid either by those who directly benefited from the programs, by other governments and organizations that subsidized certain programs with operating grants and contributions, or capital grants and contributions. Overall, the City’s Governmental activities program revenues during the year were \$9,009,064.

Program revenues totaled \$9,009,064 or 22% of total revenues for Fiscal Year 2021, a decrease of \$399,431 from 2020. The decrease is mainly attributed to a reduction in Capital Grants. The City’s program revenues include developer fees, plan check fees, building inspections, traffic fines, recreation fees, police fees, grants, assessment revenues, and other charges for services. Program revenues are categorized in three groups: Charges for Services of \$2,648,279 which are intended to help cover the expenses incurred in providing a variety of City services; Operating Contributions and Grants of \$4,465,399 which is attributable to special revenue funds such as Gas Tax, Measure J and police services; and Capital grants and contributions of \$1,895,386 which includes federal, state, and local funding.

General revenues are not allocable to programs but are used to pay for the net cost of government services. General revenues totaled \$31,545,204 or 79% of total revenues, an increase of approximately \$1.835 million from Fiscal Year 2020. Table 1 shows that \$30,037,762 or 95% of general revenues came from taxes, and the balance of \$1,507,442, or 5%, came from intergovernmental, investment earnings and miscellaneous. Net Transfers out totaled \$429,772 and were to the General Fund from the Water System and Marina.

Net expense is defined as total program costs less program revenues generated by those specific activities. In the City’s case, program revenues of \$9,009,064 reduced the total expenses of \$34,907,895 by 26% to \$25,898,831. It is clear in that the City’s program revenues do not approach the cost of program expenses. This shows how dependent the City is on taxes to pay for City services. Table 2 below is the net expense by department.

<b>Table 2</b>	Net (Expense) Revenue and Changes in Net Position	
	2021	2020
<b>Governmental Activities:</b>		
General government	\$ (4,245,630)	\$ (2,869,647)
Administrative services	\$ (3,759,287)	\$ (3,938,137)
Public works	\$ (3,922,552)	\$ (11,176,421)
Community & Economic Development	\$ 1,151,302	\$ (268,793)
Police	\$ (14,053,587)	\$ (13,602,172)
Interest on long term debt	\$ (1,069,077)	\$ (1,097,253)
<b>Total Governmental Activities</b>	<b>\$ (25,898,831)</b>	<b>\$ (32,952,423)</b>

**Business-type activities** – The Business-type activities net position increased by \$3,287,667 in 2021 to \$42,179,843. Below are the changes in net position:

<b>Table 3</b>	<b>Business-type Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Expenses</b>		
Water System	\$11,182,652	\$12,655,652
Marina Services	266,707	222,910
Parking Services	228,089	304,074
Total expenses	11,677,448	13,182,636
<b>Revenues</b>		
Program revenues:		
Charges for services	15,218,978	14,866,975
Capital grants & contributions	440	355
Total program revenues	15,219,418	14,867,330
General revenues:		
Taxes	92,432	71,327
Investment earnings	83,037	179,671
General revenues	175,469	250,998
Total revenues	15,394,887	15,118,328
Change in net position before transfers	3,717,439	1,935,692
Transfers	(429,772)	(364,992)
<b>Change in net position</b>	<b>\$3,287,667</b>	<b>\$1,570,700</b>
<b>Total Net Position</b>	<b>\$42,179,843</b>	<b>\$38,892,176</b>

The cost of business-type activities was \$11,677,448 in Fiscal Year 2021. A portion of the cost for these activities was paid either by those who directly benefited from the programs, by other governments and organizations that subsidized certain programs with operating grants and contributions, or capital grants and contributions. Overall, the City's Business-type activities program revenues during the year were \$15,219,418. General revenues are not allocable to programs but are used to pay for the net cost of services. General revenues totaled \$175,469 which came from taxes, investment earnings and miscellaneous revenues.

Net expense is defined as total program costs less program revenues generated by those specific activities. In the City's case, program revenues of \$15,218,978 expenses of \$11,677,448 for net revenues as shown in the Statement of Activities of a positive \$3,541,970. The detail is broken out below in Table 4.

<b>Table 4</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>	
	<b>2021</b>	<b>2020</b>
<b>Business-type Activities:</b>		
Water System	\$ 3,807,047	\$ 1,590,650
Marina Services	\$ (37,428)	\$ (16,607)
Parking Services	\$ (227,649)	\$ 110,651
<b>Total Business-type Activities</b>	<b>\$ 3,541,970</b>	<b>\$ 1,684,694</b>

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

### **Governmental Funds**

At June 30, 2021, the City's governmental funds reported a combined fund balance of \$38,446,063, an increase of \$6,112,816 compared to the prior year. The General Fund increased by \$3,474,050, Capital Improvements decreased by \$3,394,160 and Other Governmental Funds decreased by \$755,394.

### **ANALYSES OF MAJOR GOVERNMENTAL FUNDS**

#### **General Fund**

General Fund revenues totaled \$31,075,655 in Fiscal Year 2020-21 an increase of \$2,999,545 from Fiscal Year 2019-20. The net increase is comprised of the following: increase of \$886,128 in Taxes, an increase of \$302,584 in Licenses, Permits and Fees; an increase of \$526,525 in Intergovernmental; an increase of \$298,249 in Charges for Services; a decrease of \$132,987 in Fines and Forfeits; a decrease of \$247,384 in Use of Money and Property; and an increase of \$1,366,430 in Miscellaneous due mainly to cannabis revenues. Taxes (property tax and sales tax revenue) totaling \$25,927,695 represented approximately 83% of total General Fund revenues. Other revenue sources comprising the remaining 17% of General Fund revenues included Licenses, Permits and Fees; Intergovernmental; Charges for Services; Fines and Forfeit; Use of Money and Property; and Miscellaneous.

General Fund expenditures totaled \$28,012,806, an increase of \$203,049 from Fiscal Year 2020. Transfers out of the General Fund decreased by \$340,709 in Fiscal Year 2021 to \$70,799.

Final expenditures for the General Fund at year-end were \$832,019 below budget. Budget amendments and supplemental appropriations of \$2,542,126 were made during the year for unanticipated expenditures after adoption of the original budget. Total final budget appropriations came in at \$28,844,825.

At the end of Fiscal Year 2021 the fund balance for the City's General Fund was \$16,550,281 an increase of \$3,474,050 over the prior year. The General Fund balance was comprised of the following: \$87,770 of nonspendable; \$2,321,894 assigned; and \$14,140,617 unassigned, of which \$1,632,122 was designated by Council for contingencies due to unforeseen occurrences referred to in Note 10D of the financial statements. Only the unassigned \$10,771,769 portion represents available liquid resources.

#### **Capital Improvement Fund**

The Capital Improvement Fund accounts for major City capital improvement projects. The Fund is budgeted on a project length basis and therefore is not comparable on an annual basis. Revenue received in Fiscal Year 2021, including net transfers, was \$5,897,443. This is an increase of \$990,332 over the prior year. Expenditures decreased by \$3,910,418 from 2020 to a total of \$2,503,283.

#### **Other Governmental Funds**

These funds are not presented separately in the Basic Financial Statements but are individually presented as Supplemental Information.

#### **Internal Service Funds**

Internal Service Funds are proprietary funds used by the City to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's Internal Service Funds are the Equipment Replacement Fund and the Management Information System (MIS) Fund.

- *Equipment Replacement Fund* – Costs for the Equipment Replacement Fund are “direct costs” that are readily identifiable with a specific service. The Equipment Replacement Fund charges departments' equipment and vehicle rates based on value and overall maintenance costs.

- *Management Information System (MIS) Fund* – Costs for the MIS Fund are “indirect costs” that are not easily associated with a specific service. These costs are distributed by both number of computer workstations and overall use of technology.

### **Enterprise Funds**

Enterprise Funds are used to account for operations that are financed and operated in a manner like private business enterprises, where the intent of the City is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis, are financed or recovered primarily through user charges. Enterprise Funds are also used when the City has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City’s Enterprise Funds include Parking Services, Water System, and Marina Services and are described as follows:

- *Parking Services* – Parking Services Fund revenue is generated from parking meters and parking permits in the downtown area. Operating revenues decreased by \$414,370 in Fiscal Year 2021 to a total of \$0 as parking enforcement was essentially suspended due to the pandemic. Operating expenses decreased by \$99,007 to \$220,913. Non-operating revenues decreased by \$51 to \$87,970. Net position decreased by \$(132,943) to \$3,349,651. The Parking Services Fund’s fiscal year end unrestricted Net Position was \$1,937,538.
- *Water System* – The Water System Fund is financed and operated in a manner like that of a private business. Net position of the Water System Fund increased \$3,434,160 in Fiscal Year 2021. Overall operating revenues increased by \$743,397, and operating expenses decreased by \$69,040. Non-operating revenues increased by \$1,781,059, and non-operating expenses increased by \$136,136. As of June 30, 2021, the Fund’s Net Position was \$41,844,812 with \$23,361,970 invested in capital assets net of related debt, and \$10,030,378 restricted for debt service. Only \$8,452,464 of the Fund’s Net Position was unrestricted at the close of Fiscal Year 2020. Due to the age of the Water System infrastructure, significant investments will be required in future years to update water lines and equipment and enhance security.
- *Marina Services* – Marina Fund revenues include lease payments, charges for services, property taxes, and government grants for capital improvement projects. Operating revenues increased by \$22,976, and non-operating revenues decreased \$1,380. Operating expenses increased \$19,158 in 2021 and non-operating expenses increased by \$24,639. The Funds Net Position increased by \$27,370 at June 30, 2021. The Marina has \$4,375,724 in outstanding loans to the State of California; approximately half of that amount is the total of four individual loans with an annual debt repayment schedule. The City had been making this full payment until a recent declining trend in marina revenues that has hindered the City’s ability to pay the principal and interest. The City is currently paying on the interest portion on these loans. The other half of the deficit to the State originates back to the 1964 Agreement with the State to construct the marina. The City is working with the State on alternatives to pay back all the loans.

## CAPITAL ASSETS

GASB 34 requires the City to record all its capital assets, including infrastructure, which was not recorded in prior years. Infrastructure includes roads, bridges, traffic signals and similar assets used by the entire population. Beginning in Fiscal Year 2003, in accordance with GASB 34, the City began recording the cost of all its infrastructure assets and computing the amount of accumulated depreciation for these assets based on their original acquisition dates.

At the end of Fiscal 2021, Governmental Activities and Business-type Activities had invested in a broad range of capital assets, net of depreciation, in the amounts of \$76,746,679 and \$37,237,486, respectively, as shown below.

	2021	2020
<b>Governmental Activities</b>		
Land	\$ 16,055,115	\$ 16,055,115
Construction in progress	\$ 12,518,699	\$ 11,744,299
Building and improvements	\$ 13,125,825	\$ 12,495,036
Equipment	\$ 10,332,142	\$ 9,877,256
Infrastructure	\$ 85,955,344	\$ 84,149,444
Less accumulated depreciation	\$ (61,240,446)	\$ (57,597,346)
<b>Totals</b>	<b>\$ 76,746,679</b>	<b>\$ 76,723,804</b>
<b>Business-Type Activities</b>		
Land	\$ 2,547,139	\$ 2,521,849
Construction in progress	\$ 2,322,152	\$ 1,130,552
Building and improvements	\$ 31,744,401	\$ 31,467,799
Equipment	\$ 3,156,745	\$ 3,110,463
Infrastructure	\$ 92,719,454	\$ 92,719,454
Less accumulated depreciation	\$ (95,252,405)	\$ (92,980,356)
<b>Totals</b>	<b>\$ 37,237,486</b>	<b>\$ 37,969,761</b>

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its life so that an allocable portion of the cost of the asset is borne by all users. Additional information on capital assets and depreciation may be found in Note 6.

## **DEBT ADMINISTRATION**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs (other than those paid for by the Enterprise Funds). The City has General Obligation Bonds totaling \$24,635,000 outstanding, that were issued to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements. In 2018 the City entered a direct borrowing - note payable to finance the cost of Social Security tax liability \$1,514,375 is allocated to Governmental Activity. In 2020 the City entered a Capital Lease for a street sweeper with a current balance of \$223,496 outstanding as of June 30, 2021

The Water Fund has two outstanding debt issues. The 2020 Series A Bonds, \$8,385,000 par amount, were issued to finance improvement to the water system's infrastructure. The 2020 Series B Bonds, \$3,175,000 par amount, were issued to refinance the outstanding 2012 Certificates of Participation (COPs) lowering the debts service costs to the Fund. In 2018 the City entered into a borrowing - note payable to finance the cost of Social Security tax liability \$385,786 is allocated to Business-Type Activity.

Each of the City's debt issues are discussed in detail in Notes 7 and 8 to the financial statements. The table below represents the City's outstanding debt as of June 30, 2021.

	2021	2020
<b>Governmental Activity Debt</b>		
<i>General Long-Term Debt</i>		
General Obligation Bonds	\$24,635,000	\$24,985,000
Direct Borrowing - Note Payable	1,514,375	1,984,682
Capital Lease	223,496	275,747
<b>Total Governmental Activity Debt</b>	<b>\$26,372,871</b>	<b>\$27,245,429</b>
<b>Business-Type Activity Debt</b>		
<i>Water Fund Long-Term Debt</i>		
2012 Refinancing Project		\$4,230,000
2020 Bonds Series A	\$8,385,000	
2020 Series Bonds Series B Taxable	3,175,000	
Direct Borrowing - Note Payable	385,786	505,597
Unamortized Bond Premium		307,130
Total Water Fund Debt	<b>\$11,945,786</b>	<b>\$5,042,727</b>
<i>Marina Long-term Debt</i>		
1964 State of California	\$2,792,015	\$2,766,515
1973 State of California	251,136	251,136
1978 State of California	131,574	131,574
1982 State of California	323,922	323,922
1985 State of California	877,077	877,077
Total Marina Fund Debt	<b>\$4,375,724</b>	<b>\$4,350,224</b>
<b>Total Business-Type Activity Debt</b>	<b>\$16,321,510</b>	<b>\$9,392,951</b>

## **ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Administrative Services Department, at 525 Henrietta Street, Martinez, CA 94553.



**CITY OF MARTINEZ**

**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 prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, 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 assets, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all 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 that 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 primarily, 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, deferred outflows/inflows of resources, available revenues, and measurable expenditures.

The format of 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 Martinez Public Improvement Corporation. The Corporation is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the activities of the Corporation.

CITY OF MARTINEZ  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3):			
Available for operations	\$35,493,266	\$15,689,428	\$51,182,694
Restricted	3,664,510	10,030,378	13,694,888
Receivables (net of allowance for uncollectible):			
Accounts and other	1,079,817	2,465,312	3,545,129
Intergovernmental	3,921,677		3,921,677
Interest	21,074		21,074
Loans receivable (Note 5)	262,010	22,920	284,930
Internal balances (Note 4C)	39,600	(39,600)	
Prepays (Note 11)	19,305	6,258	25,563
Capital assets (Note 6):			
Land and construction in progress	28,573,814	4,869,291	33,443,105
Depreciable assets, net	48,172,865	32,368,195	80,541,060
Total Assets	<u>121,247,938</u>	<u>65,412,182</u>	<u>186,660,120</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions (Note 11)	9,936,267	855,416	10,791,683
Related to OPEB (Note 12)	1,882,050	332,127	2,214,177
Total Deferred Outflows of Resources	<u>11,818,317</u>	<u>1,187,543</u>	<u>13,005,860</u>
<b>LIABILITIES</b>			
Accounts payable	1,466,790	1,122,280	2,589,070
Accrued wages and benefits	855,818	124,114	979,932
Deposits	1,193,019	81,657	1,274,676
Unearned revenue	230,297	259,686	489,983
Claims payable due within one year (Note 14)	80,000		80,000
Accrued interest		396,734	396,734
Accrued compensated absences (Note 1H):			
Due within one year	1,500,000	125,000	1,625,000
Due in more than one year	598,600	189,010	787,610
Long-term debt (Notes 7 and 8):			
Due within one year	935,805	747,595	1,683,400
Due in more than one year	25,437,066	15,573,915	41,010,981
Net pension liability due in more than one year (Note 11)	41,664,831	4,147,894	45,812,725
Net OPEB liability due in more than one year (Note 12)	6,648,882	1,173,332	7,822,214
Total Liabilities	<u>80,611,108</u>	<u>23,941,217</u>	<u>104,552,325</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions (Note 11)	1,735,804	216,401	1,952,205
Related to OPEB (Note 12)	1,486,164	262,264	1,748,428
Total Deferred Inflows of Resources	<u>3,221,968</u>	<u>478,665</u>	<u>3,700,633</u>
<b>NET POSITION (Note 10)</b>			
Net investment in capital assets	54,531,198	21,301,762	75,832,960
Restricted for:			
Capital projects	17,669,760	149,052	17,818,812
Debt service	2,671,742	10,030,378	12,702,120
Special revenue projects	1,554,280		1,554,280
Total Restricted Net Position	<u>21,895,782</u>	<u>10,179,430</u>	<u>32,075,212</u>
Unrestricted	(27,193,801)	10,698,651	(16,495,150)
Total Net Position	<u>\$49,233,179</u>	<u>\$42,179,843</u>	<u>\$91,413,022</u>

See accompanying notes to financial statements

CITY OF MARTINEZ  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
General government	\$5,588,905	\$32,322	\$1,310,953		(\$4,245,630)		(\$4,245,630)
Administrative services	4,146,762	318,168	20,872	\$48,435	(3,759,287)		(3,759,287)
Public works	5,410,101	1,462,549	25,000		(3,922,552)		(3,922,552)
Community & economic development	3,770,737	721,802	2,373,286	1,826,951	1,151,302		1,151,302
Police	14,922,313	113,438	735,288	20,000	(14,053,587)		(14,053,587)
Interest on long-term debt	1,069,077				(1,069,077)		(1,069,077)
<b>Total Governmental Activities</b>	<b>34,907,895</b>	<b>2,648,279</b>	<b>4,465,399</b>	<b>1,895,386</b>	<b>(25,898,831)</b>		<b>(25,898,831)</b>
<b>Business-type Activities:</b>							
Water system	13,036,100	14,989,699				\$1,953,599	1,953,599
Marina services	266,707	229,279				(37,428)	(37,428)
Parking services	228,089			440		(227,649)	(227,649)
<b>Total Business-type Activities</b>	<b>13,530,896</b>	<b>15,218,978</b>		<b>440</b>		<b>1,688,522</b>	<b>1,688,522</b>
<b>Total</b>	<b>\$48,438,791</b>	<b>\$17,867,257</b>	<b>\$4,465,399</b>	<b>\$1,895,826</b>	<b>(25,898,831)</b>	<b>1,688,522</b>	<b>(24,210,309)</b>
<b>General revenues:</b>							
Property taxes					9,970,017		9,970,017
Sales taxes					13,328,031		13,328,031
VLF Property Tax Swap					3,793,398		3,793,398
Other taxes					2,946,316	92,432	3,038,748
Intergovernmental, unrestricted					545,431		545,431
Investment earnings					156,785	1,936,485	2,093,270
Miscellaneous					805,226		805,226
Transfers (Note 4A)					429,772	(429,772)	
<b>Total General Revenues and Transfers</b>					<b>31,974,976</b>	<b>1,599,145</b>	<b>33,574,121</b>
<b>Change in Net Position</b>					<b>6,076,145</b>	<b>3,287,667</b>	<b>9,363,812</b>
<b>Net Position-Beginning</b>					<b>43,157,034</b>	<b>38,892,176</b>	<b>82,049,210</b>
<b>Net Position-Ending</b>					<b>\$49,233,179</b>	<b>\$42,179,843</b>	<b>\$91,413,022</b>

See accompanying notes to financial statements

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<b>FUND FINANCIAL STATEMENTS</b>
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Major funds are defined generally as having significant activities or balances in the current year.

<b>MAJOR GOVERNMENTAL FUNDS</b>
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The funds described below are determined to be major funds by the City in Fiscal Year 2021. Individual non-major funds may be found in the Supplemental Section.

**GENERAL FUND**

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of the City which are not accounted for in another fund.

**CAPITAL IMPROVEMENTS FUND**

To account for the expenditures spent and revenue received for various capital projects within the City.

CITY OF MARTINEZ  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2021

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments (Note 3):				
Available for operations	\$16,530,280	\$9,565,671	\$7,847,370	\$33,943,321
Restricted			3,664,510	3,664,510
Receivables:				
Accounts	1,066,006		13,811	1,079,817
Intergovernmental	1,991,594	220,832	1,709,251	3,921,677
Interest	21,074			21,074
Loans receivable (Note 5)		262,010		262,010
Prepays (Note 11)	12,770		6,535	19,305
Advances to other funds (Note 4B)	75,000			75,000
	<u>\$19,696,724</u>	<u>\$10,048,513</u>	<u>\$13,241,477</u>	<u>\$42,986,714</u>
<b>LIABILITIES</b>				
Accounts payable	\$1,191,223	\$116,634	\$45,632	\$1,353,489
Accrued wages and benefits	821,168		8,142	829,310
Claims payable (Note 14)	80,000			80,000
Deposits	1,045,922	146,461	521	1,192,904
Unearned revenue	8,130	20,832	1,335	30,297
	<u>3,146,443</u>	<u>283,927</u>	<u>55,630</u>	<u>3,486,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - loans receivable (Note 5)		262,010		262,010
Unavailable revenue - intergovernmental receivable		200,000	592,641	792,641
		<u>462,010</u>	<u>592,641</u>	<u>1,054,651</u>
<b>FUND BALANCES</b>				
Fund balance (Note 10):				
Nonspendable	87,770		6,535	94,305
Restricted		9,302,576	12,586,671	21,889,247
Assigned	2,321,894			2,321,894
Unassigned	14,140,617			14,140,617
	<u>16,550,281</u>	<u>9,302,576</u>	<u>12,593,206</u>	<u>38,446,063</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$19,696,724</u>	<u>\$10,048,513</u>	<u>\$13,241,477</u>	<u>\$42,986,714</u>

See accompanying notes to financial statements

CITY OF MARTINEZ  
Reconciliation of the  
GOVERNMENTAL FUNDS -- FUND BALANCES  
with the  
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION  
JUNE 30, 2021

Total fund balances reported on the governmental funds balance sheet	\$38,446,063
<p>Amounts reported for Governmental Activities in the Statement of Net Position  are different from those reported in the Governmental Funds above because of the following:</p>	
<b>CAPITAL ASSETS</b>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	75,114,424
<b>ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS</b>	
<p>Internal Service Funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.</p>	
Cash and investments	1,549,945
Internal balances	(35,400)
Capital assets	1,632,255
Accounts payable	(113,301)
Accrued liabilities	(26,508)
Accrued compensated absences	(96,784)
Deposits	(115)
<b>ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES</b>	
Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	854,651
<b>LONG-TERM ASSETS AND LIABILITIES</b>	
<p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:</p>	
Net OPEB liability and related deferred inflows/outflows	(6,252,996)
Compensated absences	(2,001,816)
Long-term debt	(26,372,871)
Net pension liability and related deferred inflows/outflows	(33,464,368)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$49,233,179</b>

See accompanying notes to financial statements

CITY OF MARTINEZ  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$25,927,695		\$5,419,625	\$31,347,320
Special assessments			124,760	124,760
Licenses, permits, and fees	1,078,389	\$38,307	117	1,116,813
Intergovernmental	1,149,971	517,855	2,565,624	4,233,450
Charges for services	1,235,689		5,979	1,241,668
Fines and forfeits	60,782		35,244	96,026
Use of money and property	126,850	3,310	70,004	200,164
Miscellaneous	1,496,279	400	99,892	1,596,571
<b>Total Revenues</b>	<b>31,075,655</b>	<b>559,872</b>	<b>8,321,245</b>	<b>39,956,772</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,646,141			1,646,141
Nondepartmental services	2,033,930			2,033,930
Administrative services	3,230,815		81,814	3,312,629
Public works	4,858,094			4,858,094
Community & economic development	1,999,281	26,882	1,052,297	3,078,460
Police	13,629,772		32,299	13,662,071
Debt service (Note 7):				
Principal	470,307		402,251	872,558
Interest and fiscal charges	62,633		1,006,444	1,069,077
Capital outlay	81,833	2,476,401	1,182,534	3,740,768
<b>Total Expenditures</b>	<b>28,012,806</b>	<b>2,503,283</b>	<b>3,757,639</b>	<b>34,273,728</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,062,849</b>	<b>(1,943,411)</b>	<b>4,563,606</b>	<b>5,683,044</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (Note 4A)	482,000	5,337,571	13,700	5,833,271
Transfers (out) (Note 4A)	(70,799)		(5,332,700)	(5,403,499)
<b>Total Other Financing Sources (Uses)</b>	<b>411,201</b>	<b>5,337,571</b>	<b>(5,319,000)</b>	<b>429,772</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,474,050</b>	<b>3,394,160</b>	<b>(755,394)</b>	<b>6,112,816</b>
<b>BEGINNING FUND BALANCES</b>	<b>13,076,231</b>	<b>5,908,416</b>	<b>13,348,600</b>	<b>32,333,247</b>
<b>ENDING FUND BALANCES</b>	<b>\$16,550,281</b>	<b>\$9,302,576</b>	<b>\$12,593,206</b>	<b>\$38,446,063</b>

See accompanying notes to financial statements



CITY OF MARTINEZ  
 Reconciliation of the  
 NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the Change in  
 GOVERNMENTAL NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2021

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$6,112,816

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.

The capital outlay expenditures are therefore added back to fund balances	3,716,315
Loss on disposal of capital assets is deducted from fund balance	(28,110)
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$276,259 which has already been allocated to serviced funds)	(3,584,592)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balances	872,558
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ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Net pension liabilities and pension-related deferred outflows/inflows of resources	(1,905,914)
Net OPEB liabilities and OPEB-related deferred outflows/inflows of resources	(24,322)
Unavailable revenue	571,809
Compensated absences	17,772

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, and maintenance to individual funds. The portion of the net revenue of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds	327,813
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$6,076,145
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See accompanying notes to financial statements

CITY OF MARTINEZ  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$24,217,231	\$25,089,602	\$25,927,695	\$838,093
Licenses, permits, and fees	636,500	691,500	1,078,389	386,889
Intergovernmental	609,600	1,082,525	1,149,971	67,446
Charges for services	1,034,800	811,687	1,235,689	424,002
Fines and forfeits	388,094	80,000	60,782	(19,218)
Use of money and property	169,300	55,000	126,850	71,850
Miscellaneous	75,475	1,014,475	1,496,279	481,804
<b>Total Revenues</b>	<b>27,131,000</b>	<b>28,824,789</b>	<b>31,075,655</b>	<b>2,250,866</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,351,648	1,498,709	1,646,141	(147,432)
Nondepartmental services	2,597,707	2,465,169	2,033,930	431,239
Administrative services	3,154,055	3,147,801	3,230,815	(83,014)
Public works	4,043,811	4,444,776	4,858,094	(413,318)
Community & economic development	1,598,857	2,771,227	1,999,281	771,946
Police	12,887,914	13,742,386	13,629,772	112,614
Debt service (Note 7):				
Principal	590,117	590,117	470,307	119,810
Interest and fiscal charges	78,590	78,590	62,633	15,957
Capital outlay		106,050	81,833	24,217
<b>Total Expenditures</b>	<b>26,302,699</b>	<b>28,844,825</b>	<b>28,012,806</b>	<b>832,019</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>828,301</b>	<b>(20,036)</b>	<b>3,062,849</b>	<b>3,082,885</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (Note 4A)	482,000	482,000	482,000	
Transfers (out) (Note 4A)	(84,000)	(56,000)	(70,799)	(14,799)
<b>Total other financing sources (uses)</b>	<b>398,000</b>	<b>426,000</b>	<b>411,201</b>	<b>(14,799)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$1,226,301</b>	<b>\$405,964</b>	<b>3,474,050</b>	<b>\$3,068,086</b>
<b>BEGINNING FUND BALANCE</b>			<b>13,076,231</b>	
<b>ENDING FUND BALANCE</b>			<b>\$16,550,281</b>	

See accompanying notes to financial statements

## **MAJOR PROPRIETARY FUNDS**

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.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified all of its Proprietary Funds as major funds in Fiscal Year 2021.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds.

### **WATER SYSTEM FUND**

To account for the funds received from customers receiving water service provided by the City and the related expenditures for administration, system improvements, maintenance and repairs, and debt service for bond issues related to the provision of water to the customers.

### **MARINA SERVICES FUND**

To account for the activities related to the operations at the municipal marina.

### **PARKING SERVICES FUND**

To account for the activities related to the various parking lots in the downtown area, including parking meters and shuttle services.

CITY OF MARTINEZ  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water System	Marina Services	Parking Services	Totals	
<b>ASSETS</b>					
Current Assets:					
Cash and investments (Note 3):					
Available for operations	\$12,894,183	\$708,007	\$2,087,238	\$15,689,428	\$1,549,945
Restricted	10,030,378			10,030,378	
Receivables:					
Accounts and other	2,440,379	19,233	5,700	2,465,312	
Prepays		6,258		6,258	
Total Current Assets	<u>25,364,940</u>	<u>733,498</u>	<u>2,092,938</u>	<u>28,191,376</u>	<u>1,549,945</u>
Capital Assets (Note 6):					
Buildings	26,367,321	308,594		26,675,915	
Improvements	4,823,364		245,122	5,068,486	
Equipment	2,166,427		990,318	3,156,745	5,368,879
Infrastructure	92,374,462		344,992	92,719,454	
Less: Accumulated depreciation	<u>(93,762,668)</u>	<u>(308,594)</u>	<u>(1,181,143)</u>	<u>(95,252,405)</u>	<u>(3,831,822)</u>
Total depreciable capital assets, net	31,968,906		399,289	32,368,195	1,537,057
Land	630,912	1,052,455	863,772	2,547,139	
Construction in progress	<u>2,322,152</u>			<u>2,322,152</u>	<u>95,198</u>
Net Capital Assets	<u>34,921,970</u>	<u>1,052,455</u>	<u>1,263,061</u>	<u>37,237,486</u>	<u>1,632,255</u>
Other Non-Current Assets:					
Loan receivable (Note 5)	<u>22,920</u>			<u>22,920</u>	
Total Non-Current Assets	<u>34,944,890</u>	<u>1,052,455</u>	<u>1,263,061</u>	<u>37,260,406</u>	<u>1,632,255</u>
Total Assets	<u>60,309,830</u>	<u>1,785,953</u>	<u>3,355,999</u>	<u>65,451,782</u>	<u>3,182,200</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to pensions (Note 11)	855,416			855,416	
Related to OPEB (Note 12)	<u>332,127</u>			<u>332,127</u>	
Total Deferred Outflows of Resources	<u>1,187,543</u>			<u>1,187,543</u>	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	1,111,912	4,020	6,348	1,122,280	113,301
Accrued liabilities	124,114			124,114	26,508
Unearned revenue	419	259,267		259,686	
Deposits	34,790	46,867		81,657	115
Accrued interest	321,639	75,095		396,734	
Current portion of compensated absences (Note 1H)	125,000			125,000	96,784
Current portion of long-term debt (Note 7)	100,000			100,000	
Current portion of loans payable (Notes 7 & 8)	<u>124,100</u>	<u>523,495</u>		<u>647,595</u>	
Total Current Liabilities	<u>1,941,974</u>	<u>908,744</u>	<u>6,348</u>	<u>2,857,066</u>	<u>236,708</u>
Noncurrent Liabilities:					
Accrued compensated absences (Note 1H)	189,010			189,010	
Long-term debt (Note 7)	11,460,000			11,460,000	
Loans payable (Notes 7 & 8)	261,686	3,852,229		4,113,915	
Net pension liability (Note 11)	4,147,894			4,147,894	
Net OPEB liability (Note 12)	1,173,332			1,173,332	
Advances from other funds (Note 4B)		<u>75,000</u>		<u>75,000</u>	
Total Liabilities	<u>19,173,896</u>	<u>4,835,973</u>	<u>6,348</u>	<u>24,016,217</u>	<u>236,708</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions (Note 11)	216,401			216,401	
Related to OPEB (Note 12)	<u>262,264</u>			<u>262,264</u>	
Total Deferred Inflows of Resources	<u>478,665</u>			<u>478,665</u>	
<b>NET POSITION (Note 10)</b>					
Net investment in capital assets	23,361,970	(3,323,269)	1,263,061	21,301,762	1,632,255
Restricted for debt service	10,030,378			10,030,378	
Restricted for capital projects			149,052	149,052	
Unrestricted	<u>8,452,464</u>	<u>273,249</u>	<u>1,937,538</u>	<u>10,663,251</u>	<u>1,313,237</u>
Total Net Position (Deficit)	<u>\$41,844,812</u>	<u>(\$3,050,020)</u>	<u>\$3,349,651</u>	<u>42,144,443</u>	<u>\$2,945,492</u>

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.

	35,400
Net position business-type activities	\$42,179,843

See accompanying notes to financial statements

CITY OF MARTINEZ  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Water System	Marina Services	Parking Services	
OPERATING REVENUES				
Water sales	\$14,606,609			\$14,606,609
Rents and leases	88,223	\$193,483		281,706
Charges for services	294,667			294,667
Other fees	185			185
Other revenue	15	35,796		35,811
				24,630
Total Operating Revenues	<u>14,989,699</u>	<u>229,279</u>		<u>15,218,978</u>
OPERATING EXPENSES				
Filtration plant	6,206,352			6,206,352
Maintenance, repairs, and distribution	2,150,343	145,022		2,295,365
Administration	2,167,294	22,908	\$148,635	2,338,837
Depreciation (Note 6)	2,199,771		72,278	2,272,049
				276,259
Total Operating Expenses	<u>12,723,760</u>	<u>167,930</u>	<u>220,913</u>	<u>13,112,603</u>
Operating Income (Expenses)	<u>2,265,939</u>	<u>61,349</u>	<u>(220,913)</u>	<u>2,106,375</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	1,926,589	2,617	7,279	1,936,485
Interest (expense)	(278,596)	(98,777)		(377,373)
Capital grants			440	440
Taxes		12,181	80,251	92,432
Total Nonoperating Revenues (Expenses)	<u>1,647,993</u>	<u>(83,979)</u>	<u>87,970</u>	<u>1,651,984</u>
Income (loss) before contributions and transfers	<u>3,913,932</u>	<u>(22,630)</u>	<u>(132,943)</u>	<u>3,758,359</u>
Transfers in (Note 4A)	14,799	50,000		64,799
Transfers (out) (Note 4A)	(494,571)			(494,571)
Change in net position	<u>3,434,160</u>	<u>27,370</u>	<u>(132,943)</u>	<u>3,328,587</u>
BEGINNING NET POSITION (DEFICIT)	<u>38,410,652</u>	<u>(3,077,390)</u>	<u>3,482,594</u>	<u>2,658,598</u>
ENDING NET POSITION (DEFICIT)	<u>\$41,844,812</u>	<u>(\$3,050,020)</u>	<u>\$3,349,651</u>	<u>\$2,945,492</u>

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 service

(40,920)

Change in net position of business-type activities

\$3,287,667

See accompanying notes to financial statements

CITY OF MARTINEZ  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water System	Marina Services	Parking Services	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$14,724,718	\$212,400	\$9,176	\$14,946,294	\$2,132,242
Payments to suppliers	(7,828,167)	(205,168)	(146,878)	(8,180,213)	(997,763)
Payments to and on behalf of employees	(2,234,537)			(2,234,537)	(570,997)
Rent and lease payments received	15			15	
<b>Cash Flows from Operating Activities</b>	<b>4,662,029</b>	<b>7,232</b>	<b>(137,702)</b>	<b>4,531,559</b>	<b>563,482</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Taxes received		12,181	80,251	92,432	
Intergovernmental receipts			440	440	
Transfers in	14,799	50,000		64,799	
Transfers out	(494,571)			(494,571)	
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(479,772)</b>	<b>62,181</b>	<b>80,691</b>	<b>(336,900)</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(1,523,738)		(25,291)	(1,549,029)	(195,521)
Proceeds from issuance of debt	11,560,000			11,560,000	
Principal payments on capital debt	(4,656,941)			(4,656,941)	
Interest paid	31,817	(47,027)		(15,210)	
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>5,411,138</b>	<b>(47,027)</b>	<b>(25,291)</b>	<b>5,338,820</b>	<b>(195,521)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	1,926,589	2,617	7,279	1,936,485	5,245
<b>Cash Flows from Investing Activities</b>	<b>1,926,589</b>	<b>2,617</b>	<b>7,279</b>	<b>1,936,485</b>	<b>5,245</b>
<b>Net Cash Flows</b>	<b>11,519,984</b>	<b>25,003</b>	<b>(75,023)</b>	<b>11,469,964</b>	<b>373,206</b>
Cash and investments at beginning of period	11,404,577	683,004	2,162,261	14,249,842	1,176,739
Cash and investments at end of period	<u>\$22,924,561</u>	<u>\$708,007</u>	<u>\$2,087,238</u>	<u>\$25,719,806</u>	<u>\$1,549,945</u>
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities:</b>					
Operating income	\$2,265,939	\$61,349	(\$220,913)	\$2,106,375	\$282,039
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	2,199,771		72,278	2,272,049	276,259
Change in assets and liabilities:					
Accounts receivable	(264,966)	(8,515)	9,176	(264,305)	
Prepays		(1,817)		(1,817)	
Accounts payable and other liabilities	537,349	(35,421)	1,757	503,685	(91,305)
Deposits	(9,240)			(9,240)	(295)
Accrued vacation and other fringe benefits	57,289			57,289	96,784
Unearned revenue	419	(8,364)		(7,945)	
Retirement system	(124,532)			(124,532)	
<b>Cash Flows from Operating Activities</b>	<b>\$4,662,029</b>	<b>\$7,232</b>	<b>(\$137,702)</b>	<b>\$4,531,559</b>	<b>\$563,482</b>
<b>NONCASH TRANSACTIONS:</b>					
Retirement of capital assets	(\$9,255)			(\$9,255)	

See accompanying notes to financial statements

<b>FIDUCIARY FUNDS</b>
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**FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the City as an agent or in trust for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements but are presented in separate Fiduciary Fund financial statements.

CITY OF MARTINEZ  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2021

	Custodial Funds
<b>ASSETS</b>	
Restricted cash and investments (Note 3)	\$226,772
Total Assets	226,772
 <b>LIABILITIES</b>	
Accounts payable	14,384
Total Liabilities	14,384
 <b>NET POSITION</b>	
Restricted for organizations and other governments	212,388
Total Net Position	\$212,388

See accompanying notes to financial statements



CITY OF MARTINEZ  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Funds</u>
ADDITIONS:	
Taxes	\$91,762
Donations	2,075
Interest	<u>338</u>
Total Additions	<u>94,175</u>
DEDUCTIONS:	
Supplies	6,135
Beneficiary payments	<u>83,284</u>
Total Deductions	<u>89,419</u>
CHANGE IN NET POSITION	4,756
NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 1L)	<u>207,632</u>
NET POSITION, END OF YEAR	<u><u>\$212,388</u></u>

See accompanying notes to financial statements

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**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Martinez was incorporated in 1876 and operates under an elected Mayor/Council form of government. The City's major operations include public safety, water system, marina, parking, community and economic development, public works, recreation and parks, and general administrative services.

**A. Reporting Entity**

The financial statements of the City of Martinez include the financial activities of the City as well as the Martinez Public Improvement Corporation which is controlled by and dependent on the City. While the Corporation is a separate legal entity, the City Council serves in a separate session as its governing body and the financial activities of the Corporation are integral to those of the City. Corporation financial activities have been aggregated and merged (termed "blended") with those of the City in the accompanying financial statements.

The **Martinez Public Improvement Corporation** is a nonprofit public benefit corporation organized and existing under the Nonprofit Public Benefit Corporation Law of the State of California. The purposes for which the Corporation was formed include, among others, (i) rendering financial assistance to the City by financing, refinancing, acquiring, constructing, improving, leasing and selling of buildings, building improvements, equipment, electrical, water, sewer, road and other public improvements, lands and any other real or personal property for the benefits of the City and surrounding areas; (ii) acquiring by lease, purchase or otherwise, real or personal property or any interest therein; and (iii) constructing, reconstructing, modifying, adding to, improving or otherwise acquiring or equipping buildings, structures or improvements and (by sale, lease, sublease, leaseback, gift or otherwise) making any part or all of any such real or personal property available to or for the benefit of the residents of the City. The Corporation is reported as part of the City's operations because of its purpose to provide financing for the City.

Separate financial statements for the Martinez Public Improvement Corporation are not issued.

**B. Basis of Presentation**

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented:

**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. Eliminations have been made to minimize the double counting of internal activities, except for interfund services provided and used. 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.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 and, therefore, are clearly identifiable to a particular 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 nonmajor 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.

**C. Major Funds**

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined, and reported in a single column, regardless of their fund-type. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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

**General Fund** – The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of the City which are not accounted for in another fund.

**Capital Improvements Fund** – To account for the funds spent and revenue received for various capital projects within the City.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

**Water System Fund** – To account for the funds received from customers receiving water service provided by the City and the related expenditures for administration, system improvements, maintenance and repairs, and debt service for bond issues related to the provision of water to the customers.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Marina Services Fund** – To account for the activities related to the operations at the municipal marina.

**Parking Services Fund** – To account for the activities related to the various parking lots in the downtown area, including parking meters and shuttle services.

The City also reports the following fund types:

**Internal Service Funds** – To account for equipment replacement and management information Services; all of which are provided to other departments on a cost-reimbursement basis.

**Fiduciary Funds** - The City maintains one type of Fiduciary Fund – Custodial Funds. Custodial Funds are used to account for assets held by the City as custodian for the Alhambra Cemetery, Alhambra Creek Assessment District, Senior Center Club and the Sanitation District #6. The financial activities of these funds are excluded from the Government-wide financial statement but are presented in separate Fiduciary Fund financial statements.

**D. Basis of Accounting**

The government-wide and proprietary fund 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.

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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property, sales and franchise taxes, certain other intergovernmental revenues, special assessments, and interest revenue. Fines, permits, licenses and charges for services are not susceptible to accrual because they are not measurable until received in cash.

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.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be 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.

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

**E. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position or balance sheets report a separate section for deferred outflows of resources. This separate net statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has pension and OPEB related deferred outflows of resources arising from certain changes in the collective net pension liability and net OPEB liability.

In addition to liabilities, the statement of net position and balance sheets report a separate section for deferred inflows of resources. The separate financial element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has three types of items, which qualify under this category. Under the modified accrual basis of accounting, the item *unavailable revenue* is reported in the governmental funds balance sheet, reporting unavailable revenues from intergovernmental receivables and loans receivable. The City has other types of deferred inflow which arise only under the full accrual basis of accounting, related to pension and OPEB.

**F. *Revenue Recognition for Water System Enterprise Fund***

Revenues are recognized based on cycle billings rendered to customers. Revenues for services provided but not billed at the end of the year are accrued.

**G. *Property Taxes and Special Assessment Revenue***

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills, and collects property taxes for the City; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the personal property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. *Compensated Absences***

Compensated absences comprise unused vacation leave, vested sick pay and other employee benefits which are accrued as earned. The City’s liability for compensated absences is recorded in various governmental funds or proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be permanently liquidated are recorded as fund liabilities; the remaining portion is recorded in the Statement of Net Position.

The changes of the compensated absences during the fiscal year ended June 30, 2021 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$2,137,901	\$256,721	\$2,394,622
Additions	1,366,609	183,168	1,549,777
Payments	(1,405,910)	(125,879)	(1,531,789)
Ending Balance	<u>\$2,098,600</u>	<u>\$314,010</u>	<u>\$2,412,610</u>
Current Portion	<u>\$1,500,000</u>	<u>\$125,000</u>	<u>\$1,625,000</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

**I. *Prepays***

Prepaid items in governmental funds are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets. The City uses the consumption method to report prepaid items.

**J. *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.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**K. 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**L. Implementation of Governmental Accounting Standards Board (GASB) Pronouncement**

In January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The provisions of this Statement were implemented during fiscal year 2021. As part of the implementation of this Statement, management determined that the Alhambra Cemetery Trust fund should be recategorized as a Custodial Fund. In addition, management determined that the Alhambra Creek Assessment District, Senior Center Club, and Sanitation District # 6 funds should be accounted for and reported as Custodial Funds, which required the restatements of beginning net position of the funds in the amounts of \$18,946, \$82,275, and \$23,121, respectively, for a total of \$124,342.

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

**A. Budgetary Accounting**

The City adopts a biennial budget for the General Fund and all Special Revenue Funds, on or before June 30 of even-numbered years for each of the ensuing two fiscal years. The operating budget takes the form of a two-year budget, which is adopted in its entirety by the City Council by resolution. This budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year-end. Capital Projects Funds are budgeted on a project-length basis.

On or before the last day in March of each year, all departments of the City submit requests for appropriations to the City Manager so that a budget may be prepared on or by May 1, for even-numbered years. The proposed budget is presented to the City's Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.



**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

The appropriated budget is prepared by fund, function, and department. The City’s department heads may make transfers of appropriations within a department. The City Manager is authorized to make revisions up to 1% of any single budget year. Council approval is required for additional appropriation from fund balances or new revenue sources. The legal level of budgetary control is at the departmental level.

The budget is revised in February to take into consideration information available during the fiscal year. Budget amounts presented in the accompanying financial statements reflect original appropriations modified by supplemental amendments discussed above which were not material.

**B. Expenditures in Excess of Appropriations**

The City had the following funds with expenditures in excess of appropriations for the year ended June 30, 2021:

Fund Name	Amount
<b>General Fund</b>	
General government	\$147,432
Administrative services	83,014
Public works	413,318

**NOTE 3 – CASH AND INVESTMENTS**

The City pools cash from all sources and all funds, except Cash and Investments held by Trustees, so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

**A. Policies**

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 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.

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.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**B. Classification**

Cash and investments 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.

Cash and investments available for operations		\$51,182,694
Restricted cash and investments		13,694,888
		64,877,582
Restricted cash and investments in Fiduciary Funds (separate statement)		226,772
		\$65,104,354
		\$65,104,354

Cash and Investments Available for Operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

**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.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed
Shares of Beneficial Interest issued by a Joint Powers Authority	N/A	Top rating category	20%
California Local Agency Investment Fund (LAIF)	N/A	N/A	\$75 Million
U.S. Treasury Obligations	N/A	N/A	No limit
U.S. Agency Securities and U.S. Government Sponsored Enterprise Obligations	5 Years	N/A	No limit
Commercial Paper	270 Days	A	25%
Banker's Acceptances	180 days	A-1	30%
Medium Term Corporate Notes	5 Years	A	30%
Negotiable Certificates of Deposit	5 Years	A	30%

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 3 – 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 reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. 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
Repurchase Agreements	30 days	A
U.S. Treasury Obligations	N/A	N/A
U.S. Agency Securities and U.S. Government Sponsored Enterprise	N/A	N/A
State Obligations	N/A	Second Highest Rating Category
Commercial Paper	270 days	A-1
Negotiable Certificates of Deposit	N/A	N/A
Time Certificates of Deposit	N/A	N/A
Shares of Beneficial Interest	N/A	Top Rating Category
Money Market Funds	N/A	Aam
Bankers' Acceptances	360 days	A-1
California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A
California Asset Management Program (CAMP)	Upon Demand	N/A

***E. 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 generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) 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:

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
California Local Agency Investment Fund	\$28,454,257			\$28,454,257
Money Market Funds	10,030,386			10,030,386
CalTrust Short Term Fund	1,097,529			1,097,529
Non- Negotiable Certificates of Deposit	727,098	\$726,092	\$724,873	2,178,063
Total Investments	<u>\$40,309,270</u>	<u>\$726,092</u>	<u>\$724,873</u>	41,760,235
Cash in banks and on hand				<u>23,344,119</u>
Total Cash and Investments				<u>\$65,104,354</u>

Money market funds and mutual funds are available for withdrawal on demand and as of June 30, 2021, have an average maturity of 16 days.

**F. 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, 2021 for each investment type as provided by Standard and Poor’s investment rating system.

Investment Type	AAAm	AAf	Total
Money Market Funds	\$10,030,386		\$10,030,386
CalTrust Short Term Fund		\$1,097,529	1,097,529
Total	<u>\$10,030,386</u>	<u>\$1,097,529</u>	11,127,915

*Not rated:*

California Local Agency Investment Fund	28,454,257
Non- Negotiable Certificates of Deposit	2,178,063
Total Investments	<u>41,760,235</u>
Cash in banks and on hand	<u>23,344,119</u>
Total Cash and Investments	<u>\$65,104,354</u>

**G. Investment Pools**

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 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, United States Treasury Notes and Bills, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2021, these investments matured in an average of 291 days.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

The City is a participant in the Short-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust’s investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. At June 30, 2021, the Short-Term Fund investments matured in an average of 266 days.

**H. Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2021:

	Level 2	Total
Investments by Fair Value Level:		
CalTrust Short Term Fund	\$1,097,529	\$1,097,529
Non- Negotiable Certificates of Deposit	2,178,063	2,178,063
	\$3,275,592	3,275,592
Investments Measured at Amortized Cost:		
Money Market Funds		10,030,386
Investments Exempt from Fair Value Hierarchy:		
California Local Agency Investment Fund		28,454,257
Total Investments		\$41,760,235

CalTrust is classified in Level 2 of the fair value hierarchy and is valued based on the fair value factor provided by the Treasurer of the State of California which is calculated as fair value divided by the amortized cost of the investment pools. Non-Negotiable Certificates of Deposits classified in Level 2 are valued using pricing techniques of matrix pricing or market corroborated pricing, with inputs such as yield curves or indices. Fair value is defined as the quoted market value on the last trading day of the period.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**I. Concentration Risk**

Investments in the securities of any individual issuers, other than U.S. Treasury Securities, mutual funds, and the California Local Agency Investment Fund, which represent 5% or more of the City's total investments are as follows as of June 30, 2021:

Issuer	Investment Type	Reported Amount
U.S Bank	Non- Negotiable Certificates of Deposit	\$2,178,063

**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Water System Enterprise Fund	\$482,000 <b>A</b>
Capital Improvements Fund	Water System Enterprise Fund	12,571 <b>A</b>
	Non-Major Governmental Funds	5,325,000 <b>B</b>
Non-Major Governmental Funds	General Fund	6,000 <b>B</b>
	Non-Major Governmental Funds	7,700 <b>B</b>
Water System Enterprise Fund	General Fund	14,799 <b>A</b>
Marina Services Enterprise Fund	General Fund	50,000 <b>A</b>
	Total Interfund Transfers	\$5,898,070

**A:** To fund operations

**B:** To fund capital projects

**B. Long-Term Interfund Advance**

During fiscal year 2019-20, the General Fund made a non-interest bearing advance to the Marina Services Enterprise Fund in the amount of \$75,000 to be repaid once the Marina's financial condition improves. As of June 30, 2021, no repayments have been made.

**C. Internal Balances**

Internal balances are presented in the entity-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.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 5 – LOAN RECEIVABLE AND UNAVAILABLE REVENUE**

*Riverhouse Associates*

The City made a loan to Riverhouse Associates, which was used to rehabilitate the Riverhouse Hotel, an affordable housing project. The loan is secured by a deed of trust, bears no interest, and was originally due on August 14, 2021, however, the due date was extended to February 14, 2022 in fiscal year 2021. As of June 30, 2021, the loan balances of \$262,010 and \$22,920 were owed to the Capital Improvements Capital Projects Fund and Water System Enterprise Fund, respectively.

**NOTE 6 – CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The City capitalizes all capital assets with values greater than \$5,000.

Capital assets with limited useful lives are depreciated over their estimated useful lives. 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. 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 City has assigned the useful lives listed below to capital assets:

Buildings	30-50 years
Improvements	30-50 years
Equipment	3-25 years
Infrastructure	10-67 years

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.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 6 – CAPITAL ASSETS (Continued)**

**A. Capital Asset Additions and Retirements**

Capital asset activities for the year ended June 30, 2021 comprise:

	Balance at June 30, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$16,055,115				\$16,055,115
Construction in progress	11,744,299	3,701,032	(\$28,110)	(\$2,898,522)	12,518,699
Total capital assets not being depreciated	<u>27,799,414</u>	<u>3,701,032</u>	<u>(28,110)</u>	<u>(2,898,522)</u>	<u>28,573,814</u>
Capital assets being depreciated:					
Buildings	12,458,116	28,650	(46,208)	566,514	13,007,072
Improvements	36,920	81,833			118,753
Equipment	9,877,256	100,321	(61,511)	416,076	10,332,142
Infrastructure	84,149,444		(110,032)	1,915,932	85,955,344
Total capital assets being depreciated	<u>106,521,736</u>	<u>210,804</u>	<u>(217,751)</u>	<u>2,898,522</u>	<u>109,413,311</u>
Less accumulated depreciation:					
Buildings	(4,986,100)	(391,307)	46,208		(5,331,199)
Improvements	(13,538)	(6,685)			(20,223)
Equipment	(6,933,170)	(562,423)	61,511		(7,434,082)
Infrastructure	(45,664,538)	(2,900,436)	110,032		(48,454,942)
Total accumulated depreciation	<u>(57,597,346)</u>	<u>(3,860,851)</u>	<u>217,751</u>		<u>(61,240,446)</u>
Net capital assets being depreciated	<u>48,924,390</u>	<u>(3,650,047)</u>			<u>48,172,865</u>
Governmental activities capital assets, net	<u>\$76,723,804</u>	<u>\$50,985</u>	<u>(\$28,110)</u>		<u>\$76,746,679</u>
	Balance at June 30, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$2,521,849	\$25,290			\$2,547,139
Construction in progress	1,130,552	1,477,457	(\$9,255)	(\$276,602)	2,322,152
Total capital assets not being depreciated	<u>3,652,401</u>	<u>1,502,747</u>	<u>(9,255)</u>	<u>(276,602)</u>	<u>4,869,291</u>
Capital assets being depreciated:					
Buildings	26,675,915				26,675,915
Improvements	4,791,884			276,602	5,068,486
Equipment	3,110,463	46,282			3,156,745
Infrastructure	92,719,454				92,719,454
Total capital assets being depreciated	<u>127,297,716</u>	<u>46,282</u>		<u>276,602</u>	<u>127,620,600</u>
Less accumulated depreciation for:					
Buildings	(13,130,772)	(673,211)			(13,803,983)
Improvements	(803,555)	(176,680)			(980,235)
Equipment	(2,501,006)	(93,776)			(2,594,782)
Infrastructure	(76,545,023)	(1,328,382)			(77,873,405)
Total accumulated depreciation	<u>(92,980,356)</u>	<u>(2,272,049)</u>			<u>(95,252,405)</u>
Net capital assets being depreciated	<u>34,317,360</u>	<u>(2,225,767)</u>		<u>276,602</u>	<u>32,368,195</u>
Business-type activities capital assets, net	<u>\$37,969,761</u>	<u>(\$723,020)</u>	<u>(\$9,255)</u>		<u>\$37,237,486</u>



**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 6 – CAPITAL ASSETS (Continued)**

**B. Capital Asset Contributions**

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

**C. 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:

<i><b>Governmental Activities</b></i>	
General Government	\$3,326,280
Public Works	190,010
Community & Economic Development	44,852
Police	23,450
Internal Service Funds	276,259
	276,259
<b>Total Governmental Activities</b>	<b>\$3,860,851</b>
 <i><b>Business-Type Activities</b></i>	
Water System	\$2,199,771
Parking Services	72,278
	72,278
<b>Total Business-Type Activities</b>	<b>\$2,272,049</b>

**NOTE 7 – 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.

Proprietary Fund (Enterprise and Internal Service) long-term debt is accounted for in the proprietary funds which will repay the debt because these funds are accounted for on the full-accrual basis in a similar manner to commercial operations.

For governmental fund types, bond premiums and discounts are recognized during the period of issuance. For proprietary fund types, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. All issuance costs are expensed when incurred. Bonds payables are reported net of the applicable bond premium or discount.

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 7 – LONG-TERM DEBT (Continued)**

**A. Current Year Transactions and Balances**

	Original Issue Amount	Balance at June 30, 2020	Retirements	Balance at June 30, 2021	Current Portion	
<b>Governmental Activity - Bonds:</b>						
2012 General Obligation Bonds Election of 2008, Series B, 4-5%, due November 1, 2042	\$10,000,000	\$8,765,000	\$45,000	\$8,720,000	\$55,000	
2008 General Obligation Bonds, Series C 3.125-5%, due on August 1, 2042	5,000,000	4,805,000	125,000	4,680,000	130,000	
2017 General Obligation Refunding Bonds 3.125-5%, due on August 1, 2042	11,935,000	11,415,000	180,000	11,235,000	210,000	
<b>Governmental Activity - Direct Borrowing:</b>						
Social Security Loan 6.2%, due August 1, 2023	2,438,734	1,984,682	470,307	1,514,375	487,144	
<b>Governmental Activity - Capital Lease:</b>						
Street Sweeper Capital Lease 2.7%, due January 7, 2025	275,747	275,747	52,251	223,496	53,661	
<b>Total governmental activity debt</b>		<u>\$27,245,429</u>	<u>\$872,558</u>	<u>\$26,372,871</u>	<u>\$935,805</u>	
	Original Issue Amount	Balance at June 30, 2020	Additions	Retirements	Balance at June 30, 2021	Current Portion
<b>Business-Type Activities - Bonds:</b>						
2012 Refunding Water System Improvements 2-4%, due December 1, 2026	\$8,025,000	\$4,230,000		\$4,230,000		
Plus: Unamortized Bond Premium		307,130		307,130		
2020 Water Revenue Bonds, Series A 4%, due December 1, 2050	8,385,000		\$8,385,000		\$8,385,000	
2020 Water Revenue Refunding Bonds, Taxable Series B 0.35-2.271%, due December 1, 2032	3,175,000		3,175,000		3,175,000	\$100,000
		<u>4,537,130</u>	<u>11,560,000</u>	<u>4,537,130</u>	<u>11,560,000</u>	<u>100,000</u>
<b>Business-Type Activity- Direct Borrowing:</b>						
Social Security Loan 6.2%, due August 1, 2023	621,266	505,597		119,811	385,786	124,100
<b>Total business-type activity debt</b>		<u>\$5,042,727</u>	<u>\$11,560,000</u>	<u>\$4,656,941</u>	<u>\$11,945,786</u>	<u>\$224,100</u>

**B. General Obligation Bonds**

On March 21, 2012, the City issued the General Obligation Election of 2008, Series B Bonds (GOs) in the amount of \$10,000,000 to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements in the City.

The Bonds were authorized at an election held on November 4, 2008, at which more than two-thirds of the voters approved. Interest payments on the GOs are due semi-annually on February 1 and August 1, and annual principal payments are due on February or August 1. Interest and principal payments are payable from ad valorem property taxes levied by the City and collected by the County. The total principal and interest remaining to be paid on the bonds is \$24,635,000 and \$13,073,982, respectively. Principal and interest paid for the current fiscal year and total Ad Valorem Property Tax Revenues were \$1,343,093 and \$1,309,558, respectively.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 7 – LONG TERM DEBT (Continued)**

On November 14, 2017, the City issued concurrently 2017 General Obligation Refunding Bonds of \$11,935,000 and General Obligation Bonds, Election of 2008, Series C, in the amount of \$5,000,000 for a combined total of \$16,935,000. The proceeds from the 2017 General Obligation Refunding Bonds were used to refinance the City's outstanding General Obligation Bonds, Election 2008, Series A. The Series C Bonds were issued to finance the costs of acquiring and constructing parks, library improvements, pools and safety improvements in the City and pay the costs related to issuing the Series C bonds. The bond covenants have a provision that allows the owners of not less than 60% on the principal amount of the bonds then outstanding to declare the entire principal and accrued interest to become immediately payable. Both sets of the bonds bear interest ranging from 3.125% - 5.0%, and have annual principal and interest payments due August 1.

**C. *Social Security Note Payable***

On August 1, 2018, the City executed a direct borrowing note payable agreement with Martinez Public Improvement Corporation in the amount of \$3,060,000 which is allocated between Governmental Activities and the Water Enterprise Fund. The debt was assumed as means to pay Social Security taxes on behalf of the Pleasant Hill – Martinez Joint Facilities Agency (JFA) employees who officially became City employees. The City has pledged City Hall as collateral for the lease agreement. The agreement also contains an event of default that provides for the application of a default rate (current rate plus three percent); provided, however, that notwithstanding anything herein to the contrary, there shall be no right under any circumstances to accelerate the lease Payments or otherwise declare any lease payments not then in default to be immediately due and payable. Interest on the Note is payable semiannually on February 1 and August 1. The note bears an interest rate of 6.2%. Principal payable on the note will be paid on August 1 starting on August 1, 2019 until paid in full in 2023.

**D. *2012 Certificates of Participation***

On February 10, 2012, the City issued Certificates of Participation (COPs) in the amount of \$8,025,000 to refund the 1999 COPs and for the acquisition and construction of improvements to the City's existing water system. Semi-annual interest payments are due on June 1 and December 1 of each year, and annual principal payments are due on December 1. Interest and principal payments are payable from net revenues derived from the operation of the water system. On December 3, 2020, the City refunded the 2012 Certificates of Participation with the issuance of the 2020 Water Revenue Refunding Bonds, Taxable Series B.

**E. *Water Revenue Bonds***

On December 3, 2020, the City issued the 2020 Water Revenue Bonds, Series A, and 2020 Water Revenue Refunding Bonds, Taxable Series B, in the amounts of \$8,385,000 and \$3,175,000, respectively. The 2020 Series A Bond proceeds were used to finance capital improvements to the City's water system and pay the costs of issuing the Bonds. The 2020 Series B Taxable Bond proceeds were used to refund the 2012 Certificates of Participation in full. The refunding resulted in a present value savings to the City of \$823,423 in debt service and an economic gain of \$115,075. The Bonds bear an interest rate of 4% and 0.35-2.271%, respectively. Interest payments are to be made semi-annually on June 1 and December 1 each year commencing December 1, 2021. Principal payments are to be made annually on December 1 each year commencing December 1, 2021 for Taxable Series B, and commencing December 1, 2032 for Series A. Semi-annual interest payments are due on June 1 and December 1 of each year.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 7 – LONG TERM DEBT (Continued)**

Interest and principal payments are payable from net revenues derived from the operation of the water system. The total principal and interest remaining to be paid on the Bonds is \$11,444,774. The City has pledged future Water System Enterprise Fund revenues, net of specified operating expenses, to repay the installment agreement portion of the Bonds through 2041. The installment agreement has a provision that allows the trustee to declare the outstanding amounts to become immediately due if an event of default occurs. Net revenues are required to be at least equal to 120% of annual principal and interest payments. The Water Fund’s principal and interest paid for the current year and total customer net revenues were \$0 and \$4,414,321, respectively. The City is in compliance with its debt covenants for the year ended June 30, 2021.

The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. The covenants also contain a subjective acceleration clause that allows the trustees or holders, who hold the majority of the aggregate principal amount of the notes, to accelerate payment of the entire principal amount outstanding and interest accrued to become immediately due if they determine that a material adverse change occurs.

**F. *Street Sweeper Capital Lease***

On January 7, 2020, the City entered into a capital lease agreement with U.S. Bancorp Government Leasing and Finance Inc. in an amount of \$275,747 to purchase a street sweeper. Principal and interest payments are due on January 7 of each year. The total principal and interest remaining to be paid on the lease is \$238,782. The City’s principal and interest paid for the current fiscal year is \$59,696. The agreement also contains that in an event of default, lessor may: (1) declare all lease payments and other amounts payable to be due, (2) terminate payment schedule and reclaim possession of property being leased and (3) take any action that is permitted by applicable law.

**G. *Debt Service Requirements***

Annual debt service requirements are shown below:

For the Year Ending June 30	Governmental Activities Bonds		Governmental Activities Direct Borrowing		Governmental Activities Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
	2022	\$395,000	\$974,968	\$487,144	\$45,495	\$53,661
2023	445,000	954,568	504,584	27,743	55,110	4,586
2024	500,000	931,643	522,647	9,356	56,598	3,098
2025	555,000	905,643			58,127	1,569
2026	615,000	876,393				
2027 - 2031	4,125,000	3,830,615				
2032 - 2036	6,080,000	2,768,365				
2037 - 2041	7,315,000	1,639,154				
2042 - 2043	4,605,000	192,633				
<b>Total</b>	<b>\$24,635,000</b>	<b>\$13,073,982</b>	<b>\$1,514,375</b>	<b>\$82,594</b>	<b>\$223,496</b>	<b>\$15,287</b>

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 7 – LONG TERM DEBT (Continued)**

For the Year Ending June 30	Business Type Activities Bonds		Business Type Activities Direct Borrowing	
	Principal	Interest	Principal	Interest
2022	\$100,000	\$551,382	\$124,100	\$11,590
2023	270,000	378,065	128,542	7,068
2024	270,000	376,766	133,144	2,383
2025	275,000	374,907		
2026	275,000	372,487		
2027-2031	1,440,000	1,802,457		
2032-2036	1,620,000	1,619,510		
2037-2041	1,970,000	1,271,200		
2042-2046	2,405,000	835,100		
2047-2051	2,935,000	302,900		
<b>Total</b>	<b>\$11,560,000</b>	<b>\$7,884,774</b>	<b>\$385,786</b>	<b>\$21,041</b>

**H. Authorized but Unissued Debt**

The City has previously issued Water Revenue Bonds authorized by the electorate at a bond election held on June 7, 1966. Series A, B, and C Bonds in the amount of \$3,250,000 were previously issued and have been fully retired; \$1,400,000 remains authorized but unissued as of June 30, 2021.

**NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA**

At June 30, 2021, the Marina Services Fund owed \$4,375,724 in loans to the State. The City made an interest payment of \$53,282 to the Department of Boating and Waterways in fiscal year 2021 to cover current year interest accrued on the unpaid loan balances.

**A. Current Year Transactions and Balances**

	Original Issue Amount	Balance at June 30, 2020	Additions	Balance at June 30, 2021	Current Portion
Direct Borrowings:					
Loan Payable - 1964	\$1,300,000	\$850,000		\$850,000	
Accrued interest		1,916,515	\$25,500	1,942,015	
Loan Payable - 1973	450,000	251,136		251,136	\$148,489
Loan Payable - 1978	175,000	131,574		131,574	60,216
Loan Payable - 1982	300,000	323,922		323,922	102,262
Loan Payable - 1984	770,425	877,077		877,077	212,528
<b>Total Marina Loans</b>		<b>\$4,350,224</b>	<b>\$25,500</b>	<b>\$4,375,724</b>	<b>\$523,495</b>

During fiscal year 2003, accrued interest was added to the outstanding principal for all the State loans with the exception of the 1964 agreement.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA (Continued)**

**B. *Loan Payable – 1964***

In January of 1960, the City entered into an agreement with the State of California, whereby a loan of \$1,300,000 was granted to the City for the construction of a Marina. In October of 1964, a Memorandum of Agreement which superseded the 1960 loan agreement was entered into. At June 30, 2021, the amount payable to the State including interest amounted to \$2,792,015.

The agreement was modified in 1964 with the following conditions:

Net income from the operations of the Marina is distributable as follows:

- Pro rata reimbursement to contributors of initial development costs as described in the agreement.
- 80% of the annual net income to the State, until the sum of \$1,300,000 is paid; the remaining 20% to be paid to the City.
- After the principal portion of the loan is repaid to the State, 80% of the annual net income shall be paid to the City; the remaining 20% shall be paid to the State until the State has been paid 3% interest per annum on the unpaid principal of the loan for each year starting with January 1, 1961. The agreement will terminate upon completion of the foregoing payments.

The loan payment date and maturity date of the loan is being negotiated between the City and the State.

**C. *Loan Payable – 1973***

On December 20, 1973, the City entered into another agreement with the State of California, whereby a loan of \$450,000 was granted to the City to complete the Martinez Small Craft Harbor (MSCH). At June 30, 2021, the amount payable to the State was \$251,136. The terms are as follows:

- The loan is payable from the gross revenues from operations of the facilities located or erected within the MSCH Project, prior to any other expenditures from such revenues.
- Payments of principal and interest at 4.5% shall be payable in equal annual installments on August 1 of each year with a final payment due on August 1, 2026.
- Any retained earnings arising from the operation of the MSCH Project after deductions for repayments of the State loan, operating and maintenance expenses and reserve funds provided for by the State, shall be invested in reasonably liquid assets. No transfer of such funds, other than for advance repayment of the State loan, shall be made so long as any principal or interest remains unpaid.
- Whenever the retained earnings exceeds two years of MSCH Project operating and loan repayment expenses, such excess may be required by the State for advance repayment of the loan.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA (Continued)**

**D.     *Loan Payable – 1978***

On January 30, 1978, the City entered into another agreement with the State of California, whereby a loan of \$175,000 was granted to the City for construction of Marina Improvements. At June 30, 2021, the amount payable to the State was \$131,574. The terms are as follows:

- The loan is payable from the gross revenues from operation of the facilities located or erected within the Project Area.
- Payments of principal and interest at 4.5% in equal annual installments shall be payable on August 1 of each year with a final payment due August 1, 2029.

**E.     *Loan Payable – 1982***

On November 1, 1982, the City entered into another agreement with the State of California, whereby a loan of \$300,000 was granted to the City for the construction of new berthings and improvements to the Marina. The loan was to be based on stages of completion. At June 30, 2021, the amount payable to the State was \$323,922. The loan terms are as follows:

- The loan is payable from the gross revenues originating from the operations of the Marina. These gross revenues constitute sole security for the loan.
- The loan shall bear compound interest at 4.5% per annum on the unpaid balance.
- Repayment of the loan shall be in equal annual installments on August 1 of each year with final payment due August 1, 2034.

**F.     *Loan Payable – 1984***

On January 14, 1984, the City entered into another agreement with the State of California, whereby a loan of \$770,425 was granted to the City for twelve capital improvement projects at the Marina. At June 30, 2021, the amount payable to the State was \$877,077. The loan terms are as follows:

- The loan is payable from the gross revenues from the operation of the facilities located within the project area.
- The loan shall bear compound interest at 4.5% per annum on the unpaid balance.
- Repayment of the loan shall be in equal annual installments on August 1 of each year with a final payment due on August 1, 2038.
- Berthing rates may not average less than \$3.75 per foot of boat or berth length and are subject to annual adjustments based on the consumer price index.
- A survey of berthing charges in the same market as the Marina shall be conducted on an annual basis.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA (Continued)**

**G. *Loan Repayment***

The above loan agreements, except for the 1964 loan which has no specified repayment terms, require the Marina to remit annual debt service payments. The City failed to make the current year principal payment of \$63,310, in addition to the non-payment of principal in the prior fiscal years in the amount of \$402,210. The City has not made total principal payments in the amount of \$465,520 since August 1, 2012. The past due amounts have been included in the current portion of the loans payable. The State has assessed a late penalty fee of 5% of the unpaid balances. See discussion in Note 10E.

On September 26, 2014, Senate Bill 1424 (SB1424) was approved by the Governor. SB1424 grants four parcels of land at the marina in the amount of \$1,019,923 to the City. In addition to the grant of lands and in recognition of the deteriorated condition of the City's marina, the City is able to defer its revenue sharing agreement with the State on an annual basis, until fiscal year 2021. This will make it possible for the City to retain the 10% payment to put towards corrective actions at the Marina. As of June 30, 2021, the City is continuing its negotiations with the State to establish an agreement regarding the Marina.

**H. *Debt Service Requirements***

For the Year Ending June 30	Direct borrowing:	
	Principal	Interest
2022	\$523,495	\$50,556
2023	66,159	47,707
2024	69,136	44,731
2025	72,247	41,619
2026	75,498	38,368
2027 - 2031	320,676	159,508
2032 - 2036	300,423	74,871
2037 - 2040	156,075	14,249
Total	1,583,709	<u>\$471,609</u>
Plus: Marina Loan 1964	850,000	
Plus: Accrued interest	1,942,015	
Total	<u>\$4,375,724</u>	



**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 9 – DEBT WITHOUT CITY COMMITMENT**

*Home Mortgage Revenue Bonds*

Home mortgage revenue bonds have been issued to finance secured mortgage loans for low-income housing projects. The bonds do not constitute indebtedness to which the good faith and credit of the City is pledged. The City is not obligated to pay the principal, interest or other payments associated with the bonds. The payments on the bonds are payable solely from monies received from mortgage loans, security agreements or insurance. Accordingly, the bonds have not been recorded in the basic financial statements of the City. The total amount of mortgage revenue bonds outstanding as of June 30, 2021 was \$975,000.

**NOTE 10 – NET POSITION AND FUND BALANCES**

**A. Net Position**

Net Position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, 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 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 as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include capital projects, debt service requirements, and special revenue programs restricted to special revenue purposes such as transportation grants and revenues, stormwater, and COPs grants.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 10 – NET POSITION AND FUND BALANCES (Continued)**

**B. Fund Balances**

Governmental 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 to indicate items not available as 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. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources. As of June 30, 2021, the City does not have committed fund balance.

*Assigned* fund balances are amounts constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. Intent is expressed by the City Council or the City Manager and may be changed at the discretion of the City Council or the City Manager. This category includes encumbrances; 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.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 10 – NET POSITION AND FUND BALANCES (Continued)**

Detailed classifications of the City’s fund balances, as of June 30, 2021, are below:

<u>Fund Balance Classifications</u>	<u>General Fund</u>	<u>Capital Improvements Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Nonspendable:</b>				
Prepays	\$12,770		\$6,535	\$19,305
Advances to Other Funds	75,000			75,000
<b>Total Nonspendable Fund Balances</b>	<b>87,770</b>		<b>6,535</b>	<b>94,305</b>
<b>Restricted for:</b>				
Debt Service			2,671,742	2,671,742
Park & Facilities Improvements		\$134,047	990,270	1,124,317
Street Improvements		8,289,216	6,616,740	14,905,956
Housing			373,177	373,177
Recycle			51,056	51,056
PEG Access			795,451	795,451
Lighting & Landscape			342,064	342,064
Traffic Mitigation		44,867		44,867
Park Impact		316,531		316,531
Child Care		8,625		8,625
Drainage		132,163		132,163
Cultural Facilities		295,557		295,557
Public Safety		81,570	746,171	827,741
<b>Total Restricted Fund Balances</b>		<b>9,302,576</b>	<b>12,586,671</b>	<b>21,889,247</b>
<b>Assigned to:</b>				
Pension Obligation	832,425			832,425
Improvements	675,193			675,193
Health Benefits	667,575			667,575
Special Events	116,887			116,887
SB1186 - Disability Access	28,673			28,673
Seismic	1,141			1,141
<b>Total Assigned Fund Balances</b>	<b>2,321,894</b>			<b>2,321,894</b>
<b>Unassigned:</b>				
General Fund	14,140,617			14,140,617
Other Governmental Fund Deficit				
<b>Total Unassigned Fund Balances</b>	<b>14,140,617</b>			<b>14,140,617</b>
<b>Total Fund Balances</b>	<b>\$16,550,281</b>	<b>\$9,302,576</b>	<b>\$12,593,206</b>	<b>\$38,446,063</b>

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 10 – NET POSITION AND FUND BALANCES (Continued)**

**C. *Minimum Fund Balance Policies***

The City adopted a Fund Balance Reserve Policy with Resolution 110-15, which established minimum fund balance policies as well as four types of reserves to address unanticipated, one-time needs. The policy requires the City maintain a minimum of 20% unassigned fund balance based on operating expenditures. The City will maintain two assigned reserves and two unassigned-contingency reserves to address unforeseen emergencies or disasters, significant changes in economic environment, escalating employee benefit costs, and key infrastructure improvements. These include:

- Pension/OPEB Obligation Assigned Fund Balance Reserve: Funds designated to mitigate pension, insurance, and retiree health benefits due to an extreme fluctuation in rates due to a specific cause.
- Infrastructure Assigned Fund Balance Reserve: Funds designated for infrastructure and deferred maintenance.
- Catastrophic Unassigned-contingency Fund Balance Reserve: Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, including natural disasters.
- Economic Uncertainty Unassigned-contingency Fund Balance Reserve: Funds designated to mitigate revenue shortfalls due to downturn in economic cycles, as well as reductions in revenues caused by actions from State/Federal governments, thereby avoiding the need for service-level reductions within the fiscal year. Should any unanticipated reductions in revenues be deemed to be recurring, adjustments will be made in the next budget cycle to reflect the revised revenue projections.

The General Fund reserve levels are as follows:

The City must commit to maintaining the unassigned fund balance at the stated 20% minimum based on the General Fund's annual operating expenditures (minus one-time expenditures).

The City must commit to maintaining the combined assigned and unassigned-contingency reserve fund balance at a minimum of \$5,000,000.

The General Fund Reserve Policy is reviewed by the City Council as part of the biannual operating budget review and adoption process. Appropriations of General Fund reserves require formal Council authorization.

At June 30, 2021, the City is in compliance with their Fund Balance Policy.

**D. *Contingency Arrangements***

The City's annual budget requires the City to implement and maintain fund balance to handle any unforeseen contingencies in the future, rather than continued reliance on the City's operating General Fund reserves.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 10 – NET POSITION AND FUND BALANCES (Continued)**

These unforeseen contingencies include Economic Uncertainty, Catastrophes and Contingencies. As of June 30, 2021, the following are reported within the unassigned fund balance of the General Fund:

	Amount
Economic Uncertainty	\$632,122
Catastrophes	900,000
Contingencies	100,000
Total	\$1,632,122

**E. Marina as a Going Concern and Net Deficits**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Marina as a going concern. The Marina Services Enterprise Fund has an accumulated net deficit of \$3,050,020 as of June 30, 2021, made up primarily of State loans which the City has not had sufficient operating revenues to repay. The fund is used to account for the operation of the City’s Marina. Management has taken steps to remedy this situation by privatizing the Marina and entering into an operating agreement with an independent company to manage the Marina. In fiscal year 2006-07, the State agreed to allow the City to make interest-only annual payments until August 2008, at which time the City commenced making principal payments on the loans. During fiscal year 2013 through 2018, the City was again unable to make principal payments on the loans. See discussion in Note 8. Contained in the loan agreements with the State is a provision which allows the State to take over the Marina with a 90-day notice. As of June 30, 2021, the City had not received such notice.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying statement of net position is dependent upon continued operations of the Marina, which in turn is dependent upon the Marina’s ability to meet its financing requirements on a continuing basis, to maintain present financing and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Marina be unable to continue in existence.

**NOTE 11 – PENSION PLANS**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 11 – PENSION PLANS (Continued)**

**A. General Information about the Pension Plan**

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police), Miscellaneous (all other), and Miscellaneous Joint Facilities Agency Employee Rate Plans. The City’s Safety, Miscellaneous, and Miscellaneous Joint Facilities Agency Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors nine rate plans (6 miscellaneous and 3 safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The City's labor contracts of miscellaneous employees require the City to pay 4% of the employee contribution of 7% and the full employer contribution. The City's labor contracts for safety employees require the City to pay the full 9% of the employee contribution, with the employee paying 4% of the employer contribution.

The Plans’ provisions and benefits in effect at June 30, 2021 are summarized as follows:

	<b>Miscellaneous</b>		
	Tier 1	Tier 2	PEPRA
	Prior to	July 1, 2012 to	On or after
Hire date	July 1, 2012*	December 31, 2012*	January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-67	50-67	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	7%	6.75%
Required employer contribution rates	11.031%	8.794%	7.732%

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 11 – PENSION PLANS (Continued)**

	<b>Safety</b>		
	Tier 1	Tier 2	PEPRA
	Prior to July 1, 2012*	July 1, 2012 to December 31, 2012*	On or after January 1, 2013
Hire date	July 1, 2012*	December 31, 2012*	January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	9%	13%
Required employer contribution rates	23.674%	20.585%	13.044%

\*A Classic CalPERS member is an employee who qualifies under one of the following categories:

An employee who was brought into CalPERS membership for the first time prior to January 1, 2013. An employee that was hired after January 1, 2013 yet is eligible for reciprocity with another public retirement system. An employee who is hired by a different CalPERS employer after January 1, 2013, after a break in service of less than six months. An employee who is brought back by the same CalPERS employer, regardless of the length of the break in service.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$4,114,947 in fiscal year 2021.

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the contributions to the Plan were as follows:

	Miscellaneous	Safety	Total
Contributions - employer	\$1,750,393	\$2,905,590	\$4,655,983
Contributions - employee (paid by employer)	94	0	94

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 11 – PENSION PLANS (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$20,739,470
Safety	25,073,255
Total Net Pension Liability	\$45,812,725

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2019	0.47734%	0.38466%	0.86200%
Proportion - June 30, 2020	0.49168%	0.37634%	0.86802%
Change - Increase (Decrease)	0.01434%	(0.00832%)	0.00602%

For the year ended June 30, 2021, the City recognized pension expense of \$6,891,065. As of June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$4,655,983	
Differences between actual and expected experience	3,013,071	
Changes in assumptions		(\$231,441)
Net differences between projected and actual earnings on plan investments	1,161,046	
Change in proportion and differences between actual contributions and proportionate share of contributions	1,961,583	(1,720,764)
Total	\$10,791,683	(\$1,952,205)



**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 11 – PENSION PLANS (Continued)**

\$4,655,983 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, 2022.

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	Annual Amortization
2022	\$813,507
2023	1,574,949
2024	1,226,491
2025	568,548
Total	<u>\$4,183,495</u>

**Actuarial Assumptions** – For the measurement period ended June 30, 2020 the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

	All Plans (1)
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (3)
Mortality	Derived using CalPERS' Membership Data for all funds (2)
Post Retirement Benefit Increase	Contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

- (1) All of the City's plan for Miscellaneous, Miscellaneous Joint Facilities Agency and Safety employed the same assumptions.
- (2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study reports (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.
- (3) Net of pension plan investment expenses, including inflation.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 11 – PENSION PLANS (Continued)**

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rate of return by asset class.

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(a) In the CalPERS Comprehensive Annual Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 11 – PENSION PLANS (Continued)**

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

– The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$30,935,749	\$35,535,081	\$66,470,830
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$20,739,470	\$25,073,255	\$45,812,725
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$12,314,604	\$16,488,336	\$28,802,940

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

***Subsequent Event – Reduction of CalPERS Discount Rate*** - In July 2021, CalPERS reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy, approved by the CalPERS Board of Administration in 2015, the 21.3% net return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The Funding Risk Mitigation Policy seeks to reduce CalPERS funding risk over time, in which CalPERS investment performance that significantly outperforms the discount rate will trigger adjustments to the discount rate, expected investment return, and strategic asset allocation targets. This is the first time it has been triggered. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

Based on these preliminary fiscal year returns, the CalPERS has announced the funded status of the overall Public Employees Retirement Fund (PERF) is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, CalPERS indicated the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term. The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

CalPERS' final fiscal year 2021 investment performance will be calculated based on audited figures and will be reflected in contribution levels for contracting cities, counties, and special districts in fiscal year 2024.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS**

**A. General Information about the City’s Other Post Employment Benefit (OPEB) Plan**

The City has an agent multiple-employer defined benefit healthcare plan through which it provides health care benefits for retired employees and spouses based on negotiated employee bargaining unit contracts. Substantially all of the City’s employees may become eligible for those benefits if they reach the normal retirement age and have a minimum ten years of service while working for the City. The premium reimbursement benefits are as follows: 0-10 years of service = 0%; 10-15 years of service = 25%; 15-20 years of service = 50%; 20-25 years of service = 75%; 26 years or more of service = 100%. Currently, 78 retirees meet the eligibility requirements and receive reimbursements.

Additionally, the City provides the option of postretirement health benefits to sworn Police Personnel through the Public Employees’ Retirement System (PERS) in lieu of the reimbursement plan, in accordance with the MOU for that represented group. The City covers 100% of the Kaiser cost for retirees prior to January 1, 2005. Those employees who retire after January 1, 2005 pay a percentage of the cost increase. Currently, 63 retirees meet the eligibility requirements and are either receiving reimbursements or health benefits paid directly by the City to PERS.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouses and dependents are not included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

Martinez Police Officers’ Association

**Health Benefits** – Employees represented by the Association who retire for service or disability on PERS shall receive retirement health benefits in accordance with the PERS Health Plan provisions. The City shall pay one hundred percent of the premium cost at the Kaiser North premium level. Employees selecting plans other than Kaiser North shall receive the same dollar contribution as for Kaiser.

Effective January 1, 2005, the City shall pay eighty percent of the increase in the Kaiser premium.

Effective January 1, of each successive year of the Memorandum of Understanding when the premiums are increased by the carrier, the City will pay seventy-five percent of any increase in the Kaiser premium.

**Dental Benefits** – The City agrees to pay ten dollars per month to Police Officers who retire after July 1, 1991 toward the retirement dental benefit. Such payment will be discontinued for employees who retire after January 1, 2006.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Non-Sworn Employees; Management Association; and Laborers’ International Union of North America (LiUNA) Local #324

**Health Benefits** – Employees represented by the Association and by LiUNA, Local #324 who retire from service or disability on PERS shall receive retirement health benefits in accordance with the following:

Benefits shall be paid at the retirement health benefit rate for the least costly of the health benefit insurances. At the present time, the least costly of the plans offered is Kaiser. For those hired prior to January 1, 2007, the City shall pay one hundred percent of the premium prorated based on the percentages shown below.

For those retirees who were hired on or after January 1, 2007, the retiree shall be ninety-three and a half percent reimbursed the amount of the Kaiser premium in effect on January 1, 2007 plus eighty percent of each increase in the premium, prorated based on the percentages shown below.

Years of Service with the City	Percent of Health Insurance To be Paid by City
0 through 9 years	0%
10 through 14 years	25%
15 through 19 years	50%
20 through 24 years	75%
Over 25 years	100%

For retirees hired before January 1, 2006, the City will also pay for the cost of Medicare Part B. The above percentages also apply to the payment of Medicare Part B.

For the year ended June 30, 2021, the City contributed \$1,184,301 to the Plan.

**Employees Covered by Benefit Terms** – Membership in the plan consisted of the following at the measurement date of June 30, 2020:

Active employees	124
Inactive employees or beneficiaries currently receiving benefit payments	100
Inactive employees entitled to but not yet receiving benefit payments	40
Total	264

**B. Net OPEB Liability**

**Actuarial Methods and Assumptions** – The City’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020 to determine the total OPEB liability as of June 30, 2020, based on the following actuarial methods and assumptions:

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

The underlying mortality assumptions were based on the mortality table published by CalPERS in their 2017 study, using data from 1997 to 2015, except for a different basis used to project future mortality improvements.

	Actuarial Assumptions
Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Plan Type	Agent Multiple Employer
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.85%
Inflation	2.50% per year
Payroll Growth	3.00% per year
Investment Rate of Return	6.75%
Mortality, Retirement, Disability, Termination	CalPERS 2017 experience study
Mortality Improvement	MacLeod Watts Scale 2020 applied generationally
Healthcare Trend Rate	Actual increases for 2021; 5.7% in 2022 fluctuating down to 4.0% by 2076
Participation Rate	Active employees: (a) All miscellaneous employees who qualify for retiree medical benefits are assumed to receive the medical premium subsidy in retirement. (b) All safety employees are assumed to elect medical coverage in retirement. If currently covered, the employee is assumed to continue their current plan selection; safety employees not currently enrolled are assumed to elect coverage in the CalPERS Kaiser Bay area plan. Retired participants: Existing benefits (all retirees) and medical plan elections (safety employees) are assumed to continue until the retiree's death.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which 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 weighting 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
Global Equity	59%
Fixed Income	25%
Global Real Estate (REITs)	8%
Treasury Inflation Protected Securities	5%
Commodities	3%
Total	100%

**Discount Rate** – The discount rate used to measure the total OPEB liability was 6.85%. When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an average of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**C. Changes in Net OPEB Liability**

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2020	\$19,942,987	\$11,799,727	\$8,143,260
Changes Recognized for the Measurement Period:			
Service Cost	548,478		548,478
Interest on the Total OPEB Liability	1,372,722		1,372,722
Expected Investment Income		822,054	(822,054)
Employer Contributions		1,427,928	(1,427,928)
Changes of Benefit Terms	(19,785)		(19,785)
Administrative Expenses		(5,875)	5,875
Benefit Payments	(1,193,868)	(1,193,868)	
Assumption Changes	440,349		440,349
Plan Experience	(816,906)		(816,906)
Investment Experience		(398,203)	398,203
Net changes in Fiscal Year 2020-2021	330,990	652,036	(321,046)
Balance at June 30, 2021	\$20,273,977	\$12,451,763	\$7,822,214

**D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

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 or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1% (5.85%)	Discount Rate (6.85%)	Discount Rate +1% (7.85%)
\$10,228,803	\$7,822,214	\$5,814,890

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
\$5,618,710	\$7,822,214	\$10,494,095

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,026,437. At June 30, 2021, the City reported deferred outflow and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred contributions	\$1,184,301	
Changes of assumptions	775,637	(\$391,730)
Differences between actual and expected experience		(1,356,698)
Net differences between projected and actual earnings on plan investments	254,239	
Total	\$2,214,177	(\$1,748,428)

\$1,184,301 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized a reduction of the OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2022	(\$330,312)
2023	(221,796)
2024	(118,823)
2025	(39,997)
2026	(3,664)
Thereafter	(3,960)
Total	(\$718,552)

**NOTE 13 – DEFERRED COMPENSATION PLAN**

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.



**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 14 – RISK MANAGEMENT**

**A. *Municipal Pooling Authority***

The City is a member of the Municipal Pooling Authority. The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$25,000)	\$29,000,000
Employment Risk Management Authority (\$50,000)	\$2,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	\$250,000
Government Crime (\$2,500)	\$5,000,000
Workers' Compensation (no deductible)	Statutory Limits
All Risk Fire & Property (\$25,000, except water claims \$150,000)	\$1,000,000,000
Earthquake (20% of replacement cost values, \$50,000 minimum, all other perils \$25,000 per occurrence)	\$8,641,662
Flood (\$100,000 per occurrence)	\$25,000,000
Boiler & Machinery (\$5,000)	\$100,000,000
Cyber Liability (\$50,000)	\$2,000,000
Public Entity Pollution Liability (\$100,000)	\$1,000,000

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 14 – RISK MANAGEMENT (Continued)**

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City’s deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the Authority are available from Municipal Pooling Authority, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

**B. *Liability for Uninsured Claims***

The City provides for the uninsured portion of claims and judgments, including a provision for claims incurred but not reported when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

The City’s liability for uninsured claims at June 30 was estimated by management based on claims experience reported by Municipal Pooling Authority and was computed as follows:

	2021	2020
Beginning balance	\$80,000	\$80,000
Liability for current fiscal year claims		233,044
Increase (decrease) in liability for prior fiscal year claims and claims incurred but not reported (IBNR)	(111,184)	(225,548)
Claims paid	(191,184)	(7,496)
Ending balance	\$80,000	\$80,000

The amount of settled claims has not exceeded the City’s maximum coverages in any of the past three years.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

**A. *Litigation***

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no presently filed litigation which is likely to have a material adverse effect on the financial position of the City.

**CITY OF MARTINEZ**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)**

**B. Encumbrances**

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed, or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically re-appropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end.

Encumbrances outstanding as of June 30, 2021 were as listed below:

	Amount
Governmental funds:	
General Fund	\$550,207
Measure H Capital Project Fund	764,204
Capital Improvements	41,120
Enterprise Funds	6,022,504
Internal Service Funds	101,577
Total	\$7,479,612

**C. Sales Tax Sharing Agreement - County**

In fiscal year 1992, the City entered into a sales tax sharing agreement with Contra Costa County. The agreement became effective in fiscal year 1992 and the City is to make semi-annual payments each year equal to 60% of the total sales tax generated by the Midhill/Morello Annexation Area and received by the City. During fiscal year 2021, payments made to the County under the agreement totaled \$369,641.

**D. Sales Tax Sharing Agreement - Corporation**

In fiscal year 2010, the City entered into a sales tax sharing agreement with a corporation. The agreement became effective in fiscal year 2010 and the City is to make quarterly payments each year equal to 60% of the total sales tax generated by the corporation and received by the City. The agreement terminates on December 31, 2021, however there are two five year renewal options that may follow the termination date. During fiscal year 2021, payments made to the corporation under the agreement totaled \$126,804.

**NOTE 16 – SUBSEQUENT EVENTS**

**General Obligation Refunding Bonds** – On July 1, 2021, the City issued the 2021 General Obligation Refunding Bonds in the amount of \$8,065,000. The proceeds were used to refinance the City’s outstanding 2012 General Obligation Bonds, Election of 2008, Series B Bonds. Interest payments are due semi-annually on February 1 and August 1, commencing February 1, 2022, and annual principal payments are due August 1, commencing August 1, 2022.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS\***

**SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Prepared for City of Martinez, a Cost-Sharing Multiple-Employer Defined Pension Plan  
As of fiscal year ending June 30, 2021  
Last 10 Years\*

<b>Measurement Date:</b>	<u>Miscellaneous</u> <u>6/30/2014</u>	<u>Miscellaneous</u> <u>6/30/2015</u>	<u>Miscellaneous</u> <u>6/30/2016</u>	<u>Miscellaneous</u> <u>6/30/2017</u>	<u>Miscellaneous</u> <u>6/30/2018</u>
Plan's proportion of the Net Pension Liability (Asset)	0.42672%	0.40516%	0.42958%	0.44250%	0.45686%
Plan's proportion share of the Net Pension Liability (Asset)	\$10,546,336	\$11,115,396	\$14,923,157	\$17,443,565	\$17,217,712
Plan's Covered Payroll	6,488,197	7,088,066	6,370,746	6,643,377	7,505,985
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	162.55%	156.82%	234.25%	262.57%	229.39%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.15%	79.89%	75.87%	75.39%	77.69%
<b>Measurement Date:</b>	<u>Safety</u> <u>6/30/2014</u>	<u>Safety</u> <u>6/30/2015</u>	<u>Safety</u> <u>6/30/2016</u>	<u>Safety</u> <u>6/30/2017</u>	<u>Safety</u> <u>6/30/2018</u>
Plan's proportion of the Net Pension Liability (Asset)	0.44743%	0.44518%	0.41483%	0.39405%	0.39527%
Plan's proportion share of the Net Pension Liability (Asset)	\$16,782,851	\$18,343,345	\$21,485,011	\$23,545,543	\$23,192,926
Plan's Covered Payroll	2,832,476	3,754,044	3,162,539	3,053,376	3,369,512
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	592.52%	488.63%	679.36%	771.13%	688.32%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.83%	77.27%	72.69%	71.74%	73.39%

\* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS\***

**SCHEDULE OF PLAN’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Miscellaneous 6/30/2019	Miscellaneous 6/30/2020
0.47734%	0.49168%
\$19,115,011 7,150,664	\$20,739,470 7,537,514
267.32%	275.15%
77.73%	77.71%

Safety 6/30/2019	Safety 6/30/2020
0.38466%	0.37634%
\$24,012,738 3,449,628	\$25,073,255 3,850,711
696.10%	651.13%
73.37%	73.12%

**REQUIRED SUPPLEMENTARY INFORMATION**

**COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS\***

**SCHEDULE OF CONTRIBUTIONS**

Prepared for City of Martinez, a Cost-Sharing Multiple-Employer Defined Pension Plan  
As of fiscal year ending June 30, 2021  
Last 10 Years\*

<b>Fiscal Year Ended June 30:</b>	<u>Miscellaneous</u> <b>2015</b>	<u>Miscellaneous</u> <b>2016</b>	<u>Miscellaneous</u> <b>2017</b>	<u>Miscellaneous</u> <b>2018</b>	<u>Miscellaneous</u> <b>2019</b>
Actuarially determined contribution	\$1,036,384	\$1,250,589	\$1,307,060	\$1,846,953	\$14,509,888
Contributions in relation to the actuarially determined contributions	<u>(1,036,384)</u>	<u>(1,250,589)</u>	<u>(1,307,060)</u>	<u>(1,846,953)</u>	<u>(14,509,888)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$7,088,066	\$6,370,746	\$6,643,377	\$7,505,985	\$7,150,664
Contributions as a percentage of covered-employee payroll	14.62%	19.63%	19.67%	24.61%	202.92%
<b>Fiscal Year Ended June 30:</b>	<u>Safety</u> <b>2015</b>	<u>Safety</u> <b>2016</b>	<u>Safety</u> <b>2017</b>	<u>Safety</u> <b>2018</b>	<u>Safety</u> <b>2019</b>
Actuarially determined contribution	\$1,680,603	\$2,116,539	\$2,200,477	\$1,848,327	\$2,544,594
Contributions in relation to the actuarially determined contributions	<u>(1,680,603)</u>	<u>(2,116,539)</u>	<u>(2,200,477)</u>	<u>(1,848,327)</u>	<u>(2,544,594)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$3,754,044	\$3,162,539	\$3,053,376	\$3,369,512	\$3,449,628
Contributions as a percentage of covered-employee payroll	44.77%	66.93%	72.07%	54.85%	73.76%
<b>Notes to Schedule</b>					
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Methods and assumptions used to determine contribution rates:					
Actuarial cost method	Entry Age Normal				
Amortization method	Level percentage of payroll, closed				
Remaining amortization period	30 years				
Asset valuation method	5-year smoothed market				
Inflation	2.50%				
Salary increases	Varies by Entry Age and Service				
Investment rate of return	7.00%, net of pension plan investment expense, including inflation				
Retirement age	The probabilities of retirement are based on the CalPERS Experience Study				
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a CalPERS Experience Study. The table includes 20 years of mortality CalPERS improvements using the Society of Actuaries Scale BB.				

\* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.



<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS\***

**SCHEDULE OF CONTRIBUTIONS**

Miscellaneous	Miscellaneous
2020	2021
\$1,797,318	\$1,750,393
(1,797,318)	(1,750,393)
\$0	\$0

\$7,537,514	\$7,989,591
-------------	-------------

23.84%	21.91%
--------	--------

Safety	Safety
2020	2021
\$3,976,986	\$2,905,590
(3,976,986)	(2,905,590)
\$0	\$0

\$3,850,711	\$4,134,974
-------------	-------------

103.28%	70.27%
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6/30/2018	6/30/2019
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**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
**Agent Multiple - Employer Defined Benefit Retiree Health Funding Plan**  
**Last Ten Fiscal Years\***

Measurement Date	6/30/17	6/30/18	6/30/19	6/30/20
<b>Total OPEB Liability</b>				
Service Cost	\$487,084	\$502,915	\$531,213	\$548,478
Interest	1,387,160	1,443,852	1,326,382	1,372,722
Changes in benefit terms	-	-	-	(19,785)
Differences between expected and actual experience	-	(1,847,568)	-	(816,906)
Changes of assumptions	-	449,935	-	440,349
Benefit payments	(1,060,000)	(1,162,669)	(1,212,623)	(1,193,868)
<b>Net change in total OPEB liability</b>	<u>814,244</u>	<u>(613,535)</u>	<u>644,972</u>	<u>330,990</u>
<b>Total OPEB liability - beginning</b>	<u>19,097,306</u>	<u>19,911,550</u>	<u>19,298,015</u>	<u>19,942,987</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$19,911,550</u>	<u>\$19,298,015</u>	<u>\$19,942,987</u>	<u>\$20,273,977</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$1,256,745	\$1,162,669	\$1,212,623	\$1,427,928
Net investment income	1,102,046	820,740	681,164	423,851
Administrative expense	(4,835)	(5,496)	(1,212,623)	(5,875)
Benefit payments	(1,060,000)	(1,162,669)	2,381	(1,193,868)
Other expenses	-	(13,642)	-	-
<b>Net change in plan fiduciary net position</b>	<u>1,293,956</u>	<u>801,602</u>	<u>683,545</u>	<u>652,036</u>
<b>Plan fiduciary net position - beginning</b>	<u>9,020,624</u>	<u>10,314,580</u>	<u>11,116,182</u>	<u>11,799,727</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$10,314,580</u>	<u>\$11,116,182</u>	<u>\$11,799,727</u>	<u>\$12,451,763</u>
 Net OPEB liability - ending (a)-(b)	 <u>\$9,596,970</u>	 <u>\$8,181,833</u>	 <u>\$8,143,260</u>	 <u>\$7,822,214</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 51.80%	 57.60%	 59.17%	 61.42%
 Covered-employee payroll	 <u>\$10,459,876</u>	 <u>\$10,875,496</u>	 <u>\$11,386,028</u>	 <u>\$15,307,526</u>
 Net OPEB liability as a percentage of covered payroll	 <u>91.75%</u>	 <u>75.23%</u>	 <u>71.52%</u>	 <u>51.10%</u>

**Notes to schedule:**

\* Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>
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**SCHEDULE OF CONTRIBUTIONS**  
**City-Wide Retiree Health Funding Plan**  
**Last Ten Fiscal Years\***

Fiscal Year Ended June 30,	2018	2019	2020	2021
Actuarially determined contribution	\$1,295,715	\$1,287,607	\$1,233,246	\$1,251,938
Contributions in relation to the actuarially determined contribution	1,162,669	1,212,623	1,427,928	1,184,301
Contribution deficiency (excess)	\$133,046	\$74,984	(\$194,682)	\$67,637
Covered-employee payroll	\$10,875,496	\$11,386,028	\$15,307,526	\$14,700,301
Contributions as a percentage of covered payroll	10.69%	10.65%	9.33%	8.06%

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Method
Actuarial Assumptions:	
Discount Rate	6.85%
Inflation	2.50%
Payroll Growth	3.00%
Investment Rate of Return	6.75%
Mortality, Retirement, Disability, Termination	CalPERS experience study from 2017
Mortality Improvement	MacLeod Watts Scale 2020 applied generationally
All Other Assumptions	Same as those used to determine the total OPEB liability

**Notes to Schedule:**

\*Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

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<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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**SPECIAL REVENUE FUNDS:****Gas Tax Funds**

To account for the funds received from the State of California under code 2105, 2106, and 2107 to use for street and highway related projects.

**NPDES Stormwater Fund**

To account for the revenues and expenditures from assessments levied on all real property in the City in compliance with the provisions of the National Pollutant Discharge Elimination System for prevention of stormwater and flood related damage.

**Measure J Fund**

This fund receives voter-approved, half cent countywide sales taxes levied to fund transportation improvements and disburses these funds to pay for local street improvements.

**COPS Grant Fund**

To account for the funds received from the federal government and State of California to be used specifically for public safety equipment and personnel.

**Housing In-Lieu Fund**

This fund accounts for developer fees which are paid in-lieu of affordable housing. The funds are to be used at the City's discretion for the provision of affordable housing to low and moderate income households.

**PEG Access Fund**

This fund accounts for the payments received by the City's cable provider to be used for public, educational and governmental capital support as provided by the City's franchise agreement.

**Recycling Fund**

This fund accounts for grants the City receives for the disposal of used oil and recycling of material and for monies received to cover the implementation of the City's Assembly Bill 939 programs and Climate Action Plan initiatives.

**CAPITAL PROJECTS FUNDS:****Lighting and Landscaping Fund**

To account for the installation, maintenance and improvement of subdivision landscape and lighting within the special districts. Monies are collected through an annual levy on the property owners within each district.

**Measure D Fund**

This fund receives voter-approved, one half cent sales tax to fund road maintenance and improvements within the City.

**Measure H Capital Project Fund** - Accounts for the \$25,000,000 of General Obligation Bonds issued in May 2009 and March 2012. These funds are to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements.

**DEBT SERVICE FUND:**

**Measure H Debt Service Fund** – To account for funds used for payment of debt service on the General Obligation Bonds. Debt Service is funded from *ad valorem* taxes levied upon all property within the City subject to taxation.

CITY OF MARTINEZ  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2021

	SPECIAL REVENUE FUNDS				
	Gas Tax Funds	NPDES Stormwater Fund	Measure J Fund	COPS Grant Fund	Housing In-Lieu Fund
<b>ASSETS</b>					
Cash and investments:					
Available for operations	\$842,865	\$418,344	\$660,804	\$672,417	\$373,177
Restricted					
Receivables:					
Accounts receivable (net of allowance for uncollectibles)		1,335			
Intergovernmental	125,354		826,650	73,754	
Prepays					
Total Assets	\$968,219	\$419,679	\$1,487,454	\$746,171	\$373,177
<b>LIABILITIES</b>					
Accounts payable	\$35,247	\$2,092	\$3,056		
Accrued wages and benefits		7,798			
Deposits					
Unearned revenue		1,335			
Total Liabilities	35,247	11,225	3,056		
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - intergovernmental receivable			592,641		
Total Deferred Inflows of Resources			592,641		
<b>FUND BALANCES:</b>					
Nonspendable					
Restricted	932,972	408,454	891,757	\$746,171	\$373,177
Total Fund Balances	932,972	408,454	891,757	746,171	373,177
Total Liabilities, Deferred Inflows and Fund Balances	\$968,219	\$419,679	\$1,487,454	\$746,171	\$373,177

SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND	Total Nonmajor Governmental Funds
PEG Access	Recycling Fund	Lighting and Landscaping Fund	Measure D	Measure H	Measure H	
\$783,621	\$52,653	\$343,305	\$3,700,184			\$7,847,370
				\$992,768	\$2,671,742	3,664,510
11,830	646					13,811
	6,535		683,493			1,709,251
<u>\$795,451</u>	<u>\$59,834</u>	<u>\$343,305</u>	<u>\$4,383,677</u>	<u>\$992,768</u>	<u>\$2,671,742</u>	<u>\$13,241,477</u>
	\$1,378	\$1,241	\$120	\$2,498		\$45,632
	344					8,142
	521					521
						1,335
	2,243	1,241	120	2,498		55,630
						592,641
						592,641
	6,535					6,535
<u>\$795,451</u>	<u>51,056</u>	<u>342,064</u>	<u>4,383,557</u>	<u>990,270</u>	<u>\$2,671,742</u>	<u>12,586,671</u>
<u>795,451</u>	<u>57,591</u>	<u>342,064</u>	<u>4,383,557</u>	<u>990,270</u>	<u>2,671,742</u>	<u>12,593,206</u>
<u>\$795,451</u>	<u>\$59,834</u>	<u>\$343,305</u>	<u>\$4,383,677</u>	<u>\$992,768</u>	<u>\$2,671,742</u>	<u>\$13,241,477</u>

CITY OF MARTINEZ  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUNDS				
	Gas Tax Funds	NPDES Stormwater Fund	Measure J Fund	COPS Grant Fund	Housing In-Lieu Fund
REVENUES					
Taxes					
Special assessments					
Licenses, permits, and fees					
Intergovernmental	\$1,506,668	\$549,653	\$319,230	\$175,638	
Charges for services					
Fines and forfeits					
Use of money and property	2,550	885	12,532	1,748	\$1,502
Miscellaneous				21,343	
Total Revenues	1,509,218	550,538	331,762	198,729	1,502
EXPENDITURES					
Current:					
Administrative services					
Community & economic development	441,547	341,695	99,664		
Police				32,299	
Debt service:					
Principal		52,251			
Interest and fiscal charges		7,445			
Capital outlay				11,988	
Total Expenditures	441,547	401,391	99,664	44,287	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,067,671	149,147	232,098	154,442	1,502
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)	(900,000)	(107,700)	(825,000)		
Total Other Financing Sources (Uses)	(900,000)	(107,700)	(825,000)		
NET CHANGE IN FUND BALANCES	167,671	41,447	(592,902)	154,442	1,502
BEGINNING FUND BALANCES	765,301	367,007	1,484,659	591,729	371,675
ENDING FUND BALANCES	\$932,972	\$408,454	\$891,757	\$746,171	\$373,177



SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND	Total Nonmajor Governmental Funds
PEG Access	Recycling Fund	Lighting and Landscaping Fund	Measure D	Measure H	Measure H	
		\$124,760	\$4,110,067		\$1,309,558	\$5,419,625
	\$117					124,760
	14,435					117
	5,979					2,565,624
	35,244					5,979
		1,385	19,172	\$22,198	8,032	35,244
\$48,435	30,114					70,004
						99,892
48,435	85,889	126,145	4,129,239	22,198	1,317,590	8,321,245
	81,814					81,814
		151,209	18,182			1,052,297
					350,000	32,299
					998,999	402,251
				1,170,546		1,006,444
						1,182,534
	81,814	151,209	18,182	1,170,546	1,348,999	3,757,639
48,435	4,075	(25,064)	4,111,057	(1,148,348)	(31,409)	4,563,606
		13,700				13,700
			(3,500,000)			(5,332,700)
		13,700	(3,500,000)			(5,319,000)
48,435	4,075	(11,364)	611,057	(1,148,348)	(31,409)	(755,394)
747,016	53,516	353,428	3,772,500	2,138,618	2,703,151	13,348,600
\$795,451	\$57,591	\$342,064	\$4,383,557	\$990,270	\$2,671,742	\$12,593,206

CITY OF MARTINEZ  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2021

	GAS TAX FUNDS			NPDES STORMWATER FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Licenses, permits, and fees						
Intergovernmental	\$1,631,700	\$1,506,668	(\$125,032)	\$492,000	\$549,653	\$57,653
Charges for services				1,000		(1,000)
Fines and forfeits						
Use of money and property	1,000	2,550	1,550	800	885	85
Miscellaneous						
Total Revenues	<u>1,632,700</u>	<u>1,509,218</u>	<u>(123,482)</u>	<u>493,800</u>	<u>550,538</u>	<u>56,738</u>
EXPENDITURES						
Current:						
Administrative services						
Community development	652,620	441,547	211,073	439,100	341,695	97,405
Police						
Debt service:						
Principal					52,251	(52,251)
Interest and fiscal charges					7,445	(7,445)
Capital outlay						
Total Expenditures	<u>652,620</u>	<u>441,547</u>	<u>211,073</u>	<u>439,100</u>	<u>401,391</u>	<u>37,709</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>980,080</u>	<u>1,067,671</u>	<u>87,591</u>	<u>54,700</u>	<u>149,147</u>	<u>94,447</u>
OTHER FINANCING SOURCES (USES)						
Transfers (out)	<u>(900,000)</u>	<u>(900,000)</u>		<u>(107,700)</u>	<u>(107,700)</u>	
Total Other Financing Sources (Uses)	<u>(900,000)</u>	<u>(900,000)</u>		<u>(107,700)</u>	<u>(107,700)</u>	
NET CHANGE IN FUND BALANCES	<u>\$80,080</u>	167,671	<u>\$87,591</u>	<u>(\$53,000)</u>	41,447	<u>\$94,447</u>
BEGINNING FUND BALANCES		<u>765,301</u>			<u>367,007</u>	
ENDING FUND BALANCES		<u>\$932,972</u>			<u>\$408,454</u>	

MEASURE J FUND			COPS GRANT FUND			HOUSING IN-LIEU		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$583,700	\$319,230	(\$264,470)	\$354,000	\$175,638	(\$178,362)			
2,000	12,532	10,532	200	1,748 21,343	1,548 21,343	\$500	\$1,502	\$1,002
585,700	331,762	(253,938)	354,200	198,729	(155,471)	500	1,502	1,002
255,113	99,664	155,449	382,928	32,299	350,629			
			573,543	11,988	561,555			
255,113	99,664	155,449	956,471	44,287	912,184			
330,587	232,098	(98,489)	(602,271)	154,442	756,713	500	1,502	1,002
(825,000)	(825,000)							
(825,000)	(825,000)							
(\$494,413)	(592,902)	(\$98,489)	(\$602,271)	154,442	\$756,713	\$500	1,502	\$1,002
	1,484,659			591,729			371,675	
	\$891,757			\$746,171			\$373,177	

(Continued)

CITY OF MARTINEZ  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2021

	PEG ACCESS			RECYCLING FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Licenses, permits, and fees				\$300	\$117	(\$183)
Intergovernmental				19,000	14,435	(4,565)
Charges for services				6,000	5,979	(21)
Fines and forfeits				5,000	35,244	30,244
Use of money and property						
Miscellaneous	\$60,000	\$48,435	(\$11,565)	36,500	30,114	(6,386)
Total Revenues	<u>60,000</u>	<u>48,435</u>	<u>(11,565)</u>	<u>66,800</u>	<u>85,889</u>	<u>19,089</u>
EXPENDITURES						
Current:						
Administrative services	66,000		66,000	113,477	81,814	31,663
Community development						
Police						
Debt service:						
Principal						
Interest and fiscal charges						
Capital outlay						
Total Expenditures	<u>66,000</u>		<u>66,000</u>	<u>113,477</u>	<u>81,814</u>	<u>31,663</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,000)</u>	<u>48,435</u>	<u>54,435</u>	<u>(46,677)</u>	<u>4,075</u>	<u>50,752</u>
OTHER FINANCING SOURCES (USES)						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$6,000)</u>	<u>48,435</u>	<u>\$54,435</u>	<u>(\$46,677)</u>	<u>4,075</u>	<u>\$50,752</u>
BEGINNING FUND BALANCES		<u>747,016</u>			<u>53,516</u>	
ENDING FUND BALANCES		<u>\$795,451</u>			<u>\$57,591</u>	

## INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to Internal Service Funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, Internal Service Funds are still presented separately in the Fund financial statements, including the funds below.

### **Equipment Replacement**

To account for the accumulation of funds for equipment replacement and the subsequent replacement and maintenance of the equipment under City control.

### **Management Information System**

To account for the services rendered to all City departments for management of the City's hardware and software needs.

CITY OF MARTINEZ  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2021

	Equipment Replacement	Management Information System	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments available for operations	\$881,392	\$668,553	\$1,549,945
Total Current Assets	<u>881,392</u>	<u>668,553</u>	<u>1,549,945</u>
Capital Assets:			
Equipment	4,965,534	403,345	5,368,879
Accumulated depreciation	(3,447,381)	(384,441)	(3,831,822)
Construction in progress	74,535	20,663	95,198
Net Capital Assets	<u>1,592,688</u>	<u>39,567</u>	<u>1,632,255</u>
Total Assets	<u>2,474,080</u>	<u>708,120</u>	<u>3,182,200</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	108,320	4,981	113,301
Accrued liabilities	11,982	14,526	26,508
Accrued vacation and other fringe benefits	76,334	20,450	96,784
Deposits		115	115
Total Liabilities	<u>196,636</u>	<u>40,072</u>	<u>236,708</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,592,688	39,567	1,632,255
Unrestricted	684,756	628,481	1,313,237
Total Net Position	<u>\$2,277,444</u>	<u>\$668,048</u>	<u>\$2,945,492</u>

CITY OF MARTINEZ  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021

	Equipment Replacement	Management Information System	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$1,340,671	\$767,236	\$2,107,907
Other revenue		24,630	24,630
<b>Total Operating Revenues</b>	<b>1,340,671</b>	<b>791,866</b>	<b>2,132,537</b>
<b>OPERATING EXPENSES</b>			
Maintenance and repairs	822,714	751,525	1,574,239
Depreciation	254,094	22,165	276,259
<b>Total Operating Expenses</b>	<b>1,076,808</b>	<b>773,690</b>	<b>1,850,498</b>
<b>Operating Income</b>	<b>263,863</b>	<b>18,176</b>	<b>282,039</b>
<b>NONOPERATING REVENUES</b>			
Interest income	2,154	2,701	4,855
<b>Total Nonoperating Revenues</b>	<b>2,154</b>	<b>2,701</b>	<b>4,855</b>
<b>Change in Net Position</b>	<b>266,017</b>	<b>20,877</b>	<b>286,894</b>
<b>BEGINNING NET POSITION</b>	<b>2,011,427</b>	<b>647,171</b>	<b>2,658,598</b>
<b>ENDING NET POSITION</b>	<b>\$2,277,444</b>	<b>\$668,048</b>	<b>\$2,945,492</b>

CITY OF MARTINEZ  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021

	Equipment Replacement	Management Information System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$1,340,671	\$791,571	\$2,132,242
Payments to suppliers	(472,632)	(525,131)	(997,763)
Payments to employees	(292,262)	(278,735)	(570,997)
 Cash Flows from Operating Activities	 <u>575,777</u>	 <u>(12,295)</u>	 <u>563,482</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(174,858)	(20,663)	(195,521)
 Cash Flows from Capital and Related Financing Activities	 <u>(174,858)</u>	 <u>(20,663)</u>	 <u>(195,521)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	2,134	3,111	5,245
 Cash Flows from Investing Activities	 <u>2,134</u>	 <u>3,111</u>	 <u>5,245</u>
 Net Cash Flows	 403,053	 (29,847)	 373,206
Cash and investments at beginning of period	<u>478,339</u>	<u>698,400</u>	<u>1,176,739</u>
Cash and investments at end of period	<u><u>\$881,392</u></u>	<u><u>\$668,553</u></u>	<u><u>\$1,549,945</u></u>
 Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income	\$263,863	\$18,176	\$282,039
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	254,094	22,165	276,259
Change in assets and liabilities:			
Accounts receivable			
Accounts payable	(30,496)	(87,317)	(117,813)
Accrued liabilities	11,982	14,526	26,508
Deposits		(295)	(295)
Accrued vacation and other fringe benefits	76,334	20,450	96,784
 Cash Flows from Operating Activities	 <u><u>\$575,777</u></u>	 <u><u>(\$12,295)</u></u>	 <u><u>\$563,482</u></u>



## CUSTODIAL FUNDS

Custodial Funds account for assets held by the City as custodian for individuals, governmental entities, and non-public organizations. These funds include the following:

**Alhambra Cemetery**

To account for the assets held for the Alhambra Cemetery usage.

**Alhambra Creek Assessment District**

To account for the special assessment district funds received from property owners within the district to repay the debt issued for the Alhambra Creek Channel improvements.

**Senior Center Club**

To account for the assets held for the Senior Center Club usage.

**Sanitation District #6**

To account for the operation and maintenance of the treatment facility in the Stonehurst subdivision.

CITY OF MARTINEZ  
 FIDUCIARY FUNDS  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2021

	Custodial Funds				Total
	Alhambra Cemetery Fund	Alhambra Creek Assessment District Fund	Senior Center Club Fund	Sanitation District # 6 Fund	
ASSETS					
Restricted cash and investments	\$82,951	\$19,023	\$77,615	\$47,183	\$226,772
Total Assets	\$82,951	\$19,023	\$77,615	\$47,183	\$226,772
LIABILITIES					
Accounts payable	\$700			\$13,684	\$14,384
Total Liabilities	700			13,684	14,384
NET POSITION					
Restricted for organizations and other governments	82,251	\$19,023	\$77,615	33,499	212,388
Total Liabilities and Net Position	\$82,951	\$19,023	\$77,615	\$47,183	\$226,772

CITY OF MARTINEZ  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Funds				Total
	Alhambra Cemetery Fund	Alhambra Creek Assessment District Fund	Senior Center Club Fund	Sanitation District # 6 Fund	
ADDITIONS:					
Taxes				\$91,762	\$91,762
Donations	\$600		\$1,475		2,075
Interest	261	\$77			338
Total Additions	<u>861</u>	<u>77</u>	<u>1,475</u>	<u>91,762</u>	<u>94,175</u>
DEDUCTIONS:					
Supplies			6,135		6,135
Beneficiary payments	1,900			81,384	83,284
Total Deductions	<u>1,900</u>		<u>6,135</u>	<u>81,384</u>	<u>89,419</u>
CHANGE IN NET POSITION	(1,039)	77	(4,660)	10,378	4,756
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>83,290</u>	<u>18,946</u>	<u>82,275</u>	<u>23,121</u>	<u>207,632</u>
NET POSITION, END OF YEAR	<u><u>\$82,251</u></u>	<u><u>\$19,023</u></u>	<u><u>\$77,615</u></u>	<u><u>\$33,499</u></u>	<u><u>\$212,388</u></u>

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## 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. Water System Revenue
4. Principal Property Tax Payers
5. 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 Legal Bonded Debt Margin
3. Computation of Direct and Overlapping Debt
4. Water Fund Certificates of Participation

### ***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:

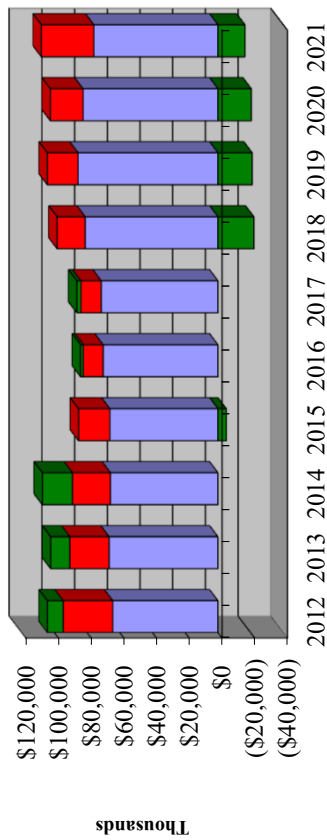
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

### ***Sources***

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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**CITY OF MARTINEZ**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Governmental activities</b>										
Net investment in capital assets	\$44,385,099	\$45,011,693	\$45,809,594	\$45,450,132	\$43,734,851	\$44,405,729	\$50,565,076	\$56,186,782	\$53,354,484	\$54,531,198
Restricted	18,207,558	16,908,562	12,532,439	11,108,552	10,781,624	10,960,360	15,835,853	18,015,079	19,257,016	21,895,782
Unrestricted	3,189,334	3,652,112	11,087,516	(13,666,690)	(8,401,847)	(7,757,618)	(28,754,373)	(28,167,323)	(29,454,466)	(27,193,801)
Total governmental activities net position	\$65,781,991	\$65,572,367	\$69,429,549	\$42,891,994	\$46,114,628	\$47,608,471	\$37,646,556	\$46,034,538	\$43,157,034	\$49,233,179
<b>Business-type activities</b>										
Net investment in capital assets	\$19,898,904	\$21,503,114	\$19,877,117	\$20,590,346	\$26,431,563	\$26,940,588	\$30,560,640	\$29,312,357	\$29,082,407	\$21,301,762
Restricted	12,086,217	7,116,866	10,711,495	8,016,662	1,306,401	1,469,604	1,295,916	722,806	700,000	10,179,430
Unrestricted	6,466,983	8,005,741	7,279,730	8,566,322	10,058,713	10,217,982	6,823,011	7,286,313	9,109,769	10,698,651
Total business-type activities net position	\$38,452,104	\$36,625,721	\$37,868,342	\$37,173,330	\$37,796,677	\$38,628,174	\$38,679,567	\$37,321,476	\$38,892,176	\$42,179,843
<b>Primary government</b>										
Net investment in capital assets	\$64,284,003	\$66,514,807	\$65,686,711	\$66,040,478	\$70,166,414	\$71,346,317	\$81,125,716	\$85,499,139	\$82,436,891	\$75,832,960
Restricted	30,293,775	24,025,428	23,243,934	19,125,214	12,088,025	12,429,964	17,131,769	18,737,885	19,957,016	32,075,212
Unrestricted	9,656,317	11,657,853	18,367,246	(5,100,368)	(1,656,866)	(2,460,364)	(21,931,362)	(20,881,010)	(20,344,697)	(16,495,150)
Total primary government net position	\$104,234,095	\$102,198,088	\$107,297,891	\$80,065,324	\$83,911,305	\$86,236,645	\$76,326,123	\$83,356,014	\$82,049,210	\$91,413,022



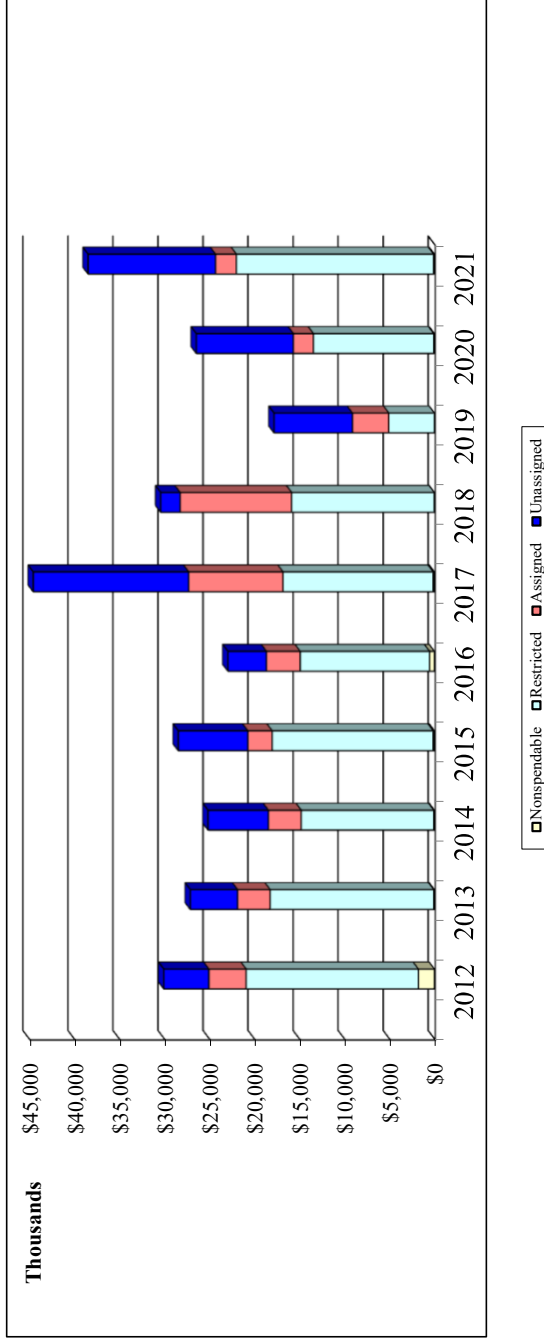
**CITY OF MARTINEZ**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Expenses</b>										
Governmental Activities:										
General Government	\$1,545,222	\$1,628,907	\$1,372,623	\$1,611,595	\$1,369,469	\$1,918,245	\$1,593,240	\$1,954,127	\$2,922,409	\$5,588,905
Administrative Services	945,076	1,000,933	1,132,197	1,068,860	1,413,623	1,809,388	2,164,798	1,794,559	4,375,268	4,146,762
Public Works	3,466,780	3,975,144	3,790,730	3,886,364	5,020,506	4,472,196	4,749,605	5,084,888	12,207,496	5,410,101
Community & Economic Development	5,917,326	5,887,738	8,103,341	6,213,848	6,331,892	6,747,138	8,798,044	7,919,078	7,185,323	3,770,737
Police	10,483,295	10,932,911	10,993,156	10,113,586	10,857,018	11,369,234	14,558,166	13,233,929	14,573,169	14,922,313
Interest on Long-Term Debt	1,102,335	1,106,817	1,152,130	1,134,763	1,126,363	1,121,663	827,503	1,078,176	1,097,253	1,069,077
Total Governmental Activities Expenses	23,460,034	24,532,450	26,544,177	24,029,016	26,118,871	27,437,864	32,691,356	31,064,757	42,360,918	34,907,895
Business-Type Activities:										
Water System	10,782,125	10,854,257	10,849,585	11,521,664	10,870,282	10,672,421	11,476,441	14,172,167	12,655,652	13,036,100
Marina Services	410,669	707,155	253,902	210,585	227,217	394,355	971,672	209,209	222,910	266,707
Parking Services	365,585	232,110	229,773	200,029	240,781	249,305	375,223	422,434	304,074	228,089
Total Business-Type Activities Expenses	11,558,379	11,793,522	11,333,260	11,932,278	11,338,280	11,316,081	12,823,336	14,803,810	13,182,636	13,530,896
Total Primary Government Expenses	\$35,018,413	\$36,325,972	\$37,877,437	\$35,961,294	\$37,457,151	\$38,753,945	\$45,514,692	\$45,868,567	\$55,543,554	\$48,438,791
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$29,694	\$37,921	\$58,935	\$54,962	\$67,270	\$78,003	\$39,304	\$606,965	\$316,181	\$32,322
Administrative Services	49,492	3,511	109,688	3,268	16,879	11,354	18,890	1,330,547	1,031,075	318,168
Public Works	666,808	848,572	991,335	1,214,613	1,197,114	919,936	1,020,657	1,330,547	1,462,549	1,462,549
Community & Economic Development	708,532	1,143,313	1,921,226	1,108,481	1,066,618	819,990	886,456	676,608	574,951	721,802
Police	282,683	358,692	494,759	698,631	570,906	398,873	416,263	357,223	234,154	113,438
Operating Grants and Contributions	2,617,726	2,472,936	2,643,701	3,004,759	3,488,286	2,593,652	2,964,531	3,275,028	4,150,414	4,465,399
Capital Grants and Contributions	1,861,281	2,882,306	4,658,843	2,700,158	3,167,192	3,992,910	6,205,765	7,268,811	3,101,720	1,895,386
Total Government Activities Program Revenues	6,216,216	7,747,251	10,878,487	8,784,872	9,574,265	8,814,718	11,551,866	13,515,182	9,408,495	9,009,064
Business-Type Activities:										
Charges for Services:										
Water System	10,438,993	11,244,347	11,678,627	11,436,258	11,057,430	11,139,006	12,279,253	12,724,092	14,246,302	14,989,699
Marina Services	362,067	143,244	178,017	136,730	139,715	187,929	237,432	222,736	206,303	229,279
Parking Services	327,253	367,904	481,163	468,572	509,013	506,874	527,860	643,542	414,370	
Operating Grants and Contributions				1,019,923	14,866,975	377	355			440
Capital Grants and Contributions	11,128,313	11,755,495	12,337,807	13,061,483	26,573,133	11,834,186	13,044,900	13,590,370	14,866,975	15,219,418
Total Business-Type Activities Program Revenues	\$17,344,529	\$19,502,746	\$23,216,294	\$21,846,355	\$36,147,398	\$20,648,904	\$24,596,766	\$27,105,552	\$24,275,470	\$24,228,482
Total Primary Government Program Revenues	(\$17,243,818)	(\$16,785,199)	(\$15,665,690)	(\$15,244,144)	(\$16,544,606)	(\$18,623,146)	(\$21,139,490)	(\$17,549,575)	(\$32,952,423)	(\$25,898,831)
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(430,096)	(38,027)	1,004,547	1,129,205	15,234,853	518,105	221,564	(1,213,440)	1,684,339	1,688,522
Business-Type Activities	(\$17,673,914)	(\$16,823,226)	(\$14,661,143)	(\$14,114,939)	(\$1,309,753)	(\$18,105,041)	(\$20,917,926)	(\$18,763,015)	(\$31,268,084)	(\$24,210,309)
Total Primary Government Net Expense										

**CITY OF MARTINEZ**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(continued)**

	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes:										
Property Taxes	\$6,262,596	\$6,154,962	\$6,603,214	\$7,165,086	\$7,755,254	\$8,212,232	\$8,574,093	\$9,163,550	\$9,521,300	\$9,970,017
Sales Taxes	3,239,219	3,544,810	3,775,971	3,088,342	4,017,775	4,728,669	7,846,172	8,833,455	12,109,821	13,328,031
VLF Property Tax Swap	2,465,909	2,428,253	2,538,617	2,733,906	2,951,290	3,099,796	3,255,258	3,460,202	3,609,753	3,793,398
Other Taxes	2,667,102	2,779,809	4,424,621	2,175,417	2,144,745	1,261,367	809,753	766,450	3,799,608	2,946,316
Franchise Fees	1,379,610	1,468,924	1,516,127	1,546,295	1,624,289	1,734,239	1,772,088			
Business Licenses				683,676	713,938	738,306	746,434			
Intergovernmental	85,068	72,276	62,369	476,267	96,217	78,469	84,475	77,864	87,729	545,431
Investment Earnings	75,843	74,686	61,227	53,549	202,078	188,096	365,718	497,514	426,469	156,785
Miscellaneous	1,157,849	775,704	631,486	397,049	330,185	231,033	215,172	2,745,847	155,247	805,226
Gain on sale of capital assets			31,841	8,250	1,723					
Transfers	177,000	(723,849)	(122,601)	(21,238)	(70,254)	(155,218)	(381,780)	392,675	364,992	429,772
Total Government Activities	17,510,196	16,575,575	19,522,872	18,306,599	19,767,240	20,116,989	23,287,383	25,937,557	30,074,919	31,974,976
Business-Type Activities:										
Other Taxes	62,620	70,237	69,169	67,888	67,481	68,869	74,191	78,757	71,327	92,432
Investment Earnings	52,965	45,531	46,304	43,074	117,734	89,682	148,648	168,857	179,671	1,936,485
Rents & Leases										
Miscellaneous										
Contributions										
Transfers										
Total Business-Type Activities	115,585	839,617	238,074	132,200	255,469	313,769	604,619	(145,061)	(113,994)	1,599,145
Total Primary Government	\$17,625,781	\$17,415,192	\$19,760,946	\$18,438,799	\$20,022,709	\$20,430,758	\$23,892,002	\$25,792,496	\$29,960,925	\$33,574,121
<b>Change in Net Position</b>										
Governmental Activities	\$266,378	(\$209,624)	\$3,857,182	\$3,062,455	\$3,222,634	\$1,493,843	\$2,147,893	\$8,387,982	(\$2,877,504)	\$6,076,145
Business-Type Activities	(314,511)	801,590	1,242,621	1,261,405	623,347	831,497	826,205	(1,358,091)	1,570,700	3,287,667
Total Primary Government	(\$48,133)	\$591,966	\$5,099,803	\$4,323,860	\$3,845,981	\$2,325,340	\$2,974,098	\$7,029,891	(\$1,306,804)	\$9,363,812

**CITY OF MARTINEZ**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Fund</b>										
Nonspendable	\$526,565	\$75,090	\$77,969	\$67,211	\$71,212	\$67,499	\$11,451	\$4,699	\$81,463	\$87,770
Restricted	1,053	1,633,745	1,473,738	2,705,355	3,064,471	5,048,345	4,201,563	4,041,044	2,222,999	2,321,894
Assigned	5,040,539	5,270,651	6,720,878	7,736,927	9,826,549	8,634,938	8,156,998	8,693,898	10,771,769	14,140,617
Unassigned	\$7,529,768	\$6,979,486	\$8,272,585	\$10,509,493	\$12,962,232	\$13,750,782	\$12,370,012	\$12,739,641	\$13,076,231	\$16,550,281
<b>Total General Fund</b>										
	\$1,250,684	\$18,159,246	\$14,703,857	\$17,874,482	\$17,252,296	\$67,499	\$15,835,853	\$5,057,007	\$13,348,600	\$6,535
<b>All Other Governmental Funds</b>										
Nonspendable	19,116,926	1,981,587	2,177,057	(23,761)	(17,840)	8,617,098	(6,019,278)			
Restricted	2,179,333	(35,473)	(29,644)							
Assigned	(41,976)									
Unassigned	\$22,504,967	\$20,105,360	\$16,851,270	\$17,921,933	\$17,301,955	\$30,779,009	\$18,003,729	\$5,057,007	\$13,348,600	\$21,895,782
<b>Total all other governmental funds</b>										
	\$19,116,926	\$19,811,587	\$16,851,270	\$17,921,933	\$17,301,955	\$30,779,009	\$18,003,729	\$5,057,007	\$13,348,600	\$21,895,782

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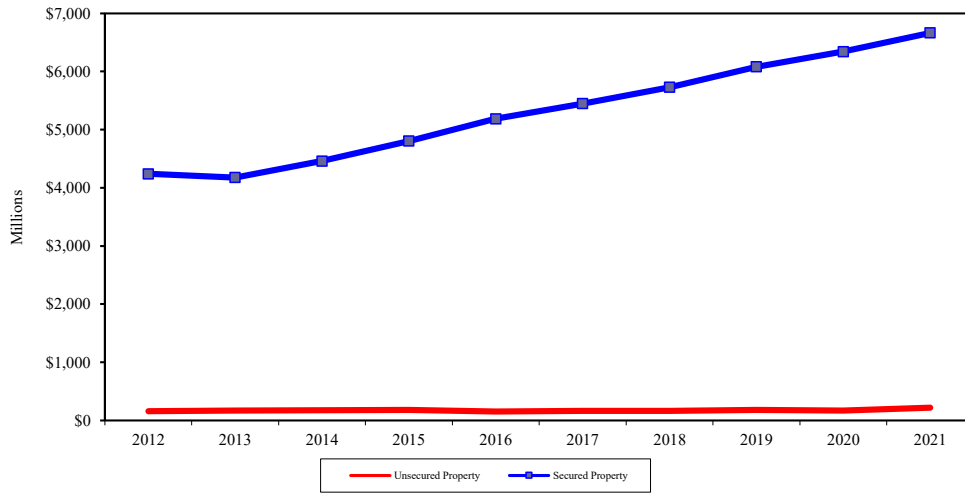
**CITY OF MARTINEZ**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	<b>Fiscal Year Ended June 30,</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Revenues</b>				
Taxes	\$16,063,061	\$16,376,758	\$17,310,873	\$17,392,721
Special assessments	2,131,149	2,103,941	1,667,428	1,865,833
Licenses, permits and fees	599,672	1,073,745	1,984,339	1,204,818
Intergovernmental revenues	2,351,629	3,074,644	6,735,114	5,204,168
Charges for services	658,908	771,351	1,168,252	1,054,933
Fines and forfeits	260,961	328,365	533,779	422,704
Use of money and property	131,211	136,927	178,395	165,951
Miscellaneous	1,338,225	840,525	687,225	362,590
<b>Total Revenues</b>	<b>23,534,816</b>	<b>24,706,256</b>	<b>30,265,405</b>	<b>27,673,718</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,119,861	1,232,407	1,189,903	1,311,797
Nondepartmental services	1,140,089	1,248,093	1,206,920	1,151,381
Administrative services	881,894	913,886	933,807	1,037,182
Public works	3,551,258	3,764,743	3,569,702	3,754,724
Community & economic development	3,692,811	3,741,772	5,832,338	3,675,189
Police	9,651,789	10,064,111	10,013,626	9,444,399
Capital outlay	6,766,413	2,724,783	7,655,369	2,596,686
<b>Debt service:</b>				
Principal repayment	595,000	885,000	550,000	310,000
Interest and fiscal charges	1,102,335	1,106,817	1,152,130	1,134,763
<b>Total Expenditures</b>	<b>28,501,450</b>	<b>25,681,612</b>	<b>32,103,795</b>	<b>24,416,121</b>
Excess (deficiency) of revenues over (under) expenditures	(4,966,634)	(975,356)	(1,838,390)	3,257,597
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,135,700	529,742	377,353	2,467,091
Transfers (out)	(1,135,700)	(1,253,591)	(499,954)	(2,488,329)
Issuance of long-term debt	10,000,000			
Bond premium	279,996			
Sale of property	555,000			
<b>Total other financing sources (uses)</b>	<b>10,834,996</b>	<b>(723,849)</b>	<b>(122,601)</b>	<b>(21,238)</b>
<b>Net change in fund balances</b>	<b>\$5,868,362</b>	<b>(\$1,699,205)</b>	<b>(\$1,960,991)</b>	<b>\$3,236,359</b>
 Debt service as a percentage of noncapital expenditures	 7.8%	 8.7%	 7.0%	 6.6%

**Fiscal Year Ended June 30,**

<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$19,207,291	\$19,774,610	\$25,113,574	\$26,959,788	\$30,294,049	\$31,347,320
2,036,288	2,122,150	123,901	123,901	124,761	124,760
947,244	742,292	830,656	841,277	837,627	1,116,813
4,773,110	4,641,699	6,992,487	8,236,918	5,957,457	4,233,450
1,233,169	865,028	979,666	1,618,973	944,829	1,241,668
467,825	352,285	345,859	301,237	202,262	96,026
321,512	313,965	483,095	637,971	519,372	200,164
417,198	250,566	337,648	304,930	219,891	1,596,571
<u>29,403,637</u>	<u>29,062,595</u>	<u>35,206,886</u>	<u>39,024,995</u>	<u>39,100,248</u>	<u>39,956,772</u>
1,234,239	1,367,650	1,588,134	1,721,588	1,655,974	1,646,141
1,389,052	1,857,896	1,669,156	2,027,830	2,082,549	2,033,930
1,568,815	1,428,655	1,661,691	2,145,127	3,320,528	3,312,629
3,657,350	3,699,160	4,165,292	5,223,787	4,982,675	4,858,094
3,589,532	3,704,043	5,508,533	4,759,860	2,849,596	3,078,460
10,738,380	10,603,450	11,016,751	12,651,241	13,612,093	13,662,071
4,083,178	4,257,539	11,753,314	11,382,816	7,594,640	3,740,768
110,000	125,000	13,975,000	485,000	764,052	872,558
<u>1,126,363</u>	<u>1,121,663</u>	<u>827,503</u>	<u>1,078,176</u>	<u>1,097,253</u>	<u>1,069,077</u>
<u>27,496,909</u>	<u>28,165,056</u>	<u>52,165,374</u>	<u>41,475,425</u>	<u>37,959,360</u>	<u>34,273,728</u>
<u>1,906,728</u>	<u>897,539</u>	<u>(16,958,488)</u>	<u>(2,450,430)</u>	<u>1,140,888</u>	<u>5,683,044</u>
1,690,301	866,400	2,663,900	9,217,132	3,564,485	5,833,271
(1,760,555)	(1,181,618)	(3,045,680)	(8,824,457)	(3,402,593)	(5,403,499)
<u>(70,254)</u>	<u>(315,218)</u>	<u>(381,780)</u>	<u>392,675</u>	<u>161,892</u>	<u>429,772</u>
<u>\$1,836,474</u>	<u>\$582,321</u>	<u>(\$17,340,268)</u>	<u>(\$2,057,755)</u>	<u>\$1,302,780</u>	<u>\$6,112,816</u>
5.3%	5.2%	5.3%	3.8%	5.7%	6.4%

**CITY OF MARTINEZ  
 ASSESSED AND ESTIMATED ACTUAL  
 VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**



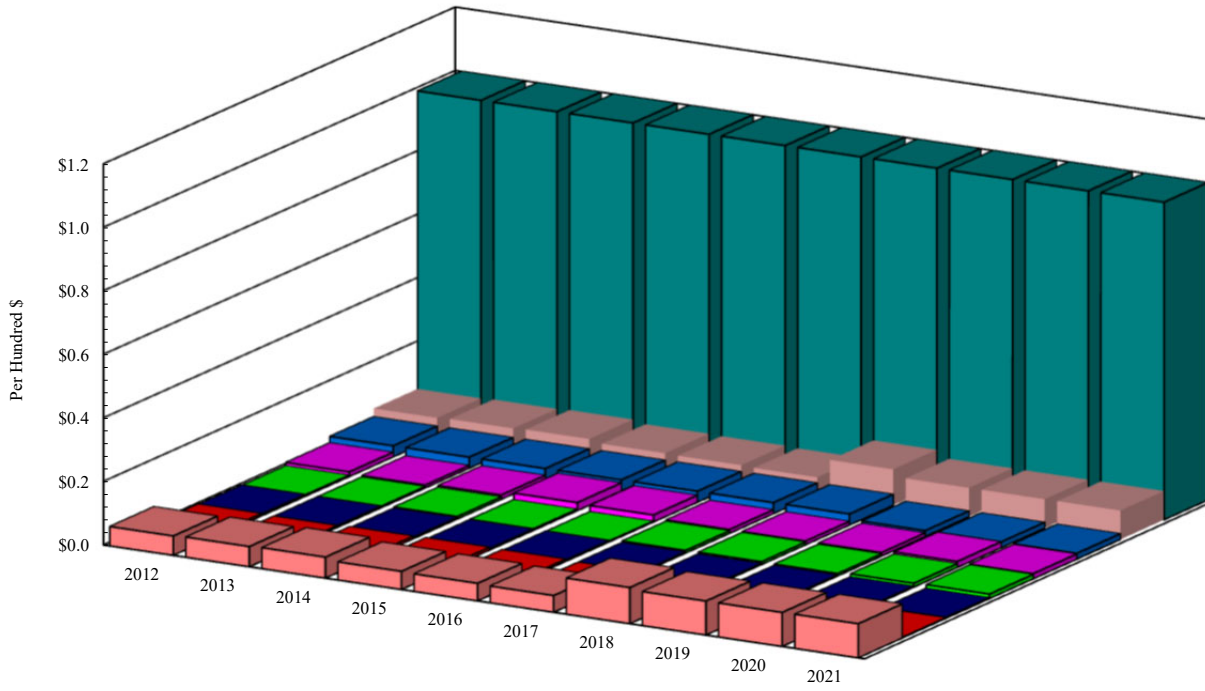
Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2012	\$3,270,983,316	\$278,173,641	\$475,085,062	\$58,146,935	\$4,082,388,954	\$157,024,907	\$4,239,413,861	\$4,239,413,861	1%
2013	3,180,388,843	273,588,400	483,885,447	67,569,176	4,005,431,866	170,207,139	4,175,639,005	4,175,639,005	1%
2014	3,450,089,512	272,590,309	496,280,160	65,053,984	4,284,013,965	175,316,982	4,459,330,947	4,459,330,947	1%
2015	3,790,278,674	275,814,808	478,871,404	76,665,537	4,621,630,423	180,770,037	4,802,400,460	4,802,400,460	1%
2016	4,126,901,318	294,812,660	532,101,663	74,824,562	5,028,640,203	155,618,777	5,184,258,980	5,184,258,980	1%
2017	4,354,185,154	305,474,744	542,151,490	79,081,734	5,280,893,122	164,327,888	5,445,221,010	5,445,221,010	1%
2018	4,630,578,702	314,215,274	554,360,015	63,344,994	5,562,498,985	164,327,888	5,882,562,551	5,882,562,551	1%
2019	4,893,922,245	324,861,596	609,932,388	67,684,825	5,896,401,054	181,831,421	6,078,232,475	6,078,232,475	1%
2020	5,140,463,415	335,745,304	626,240,751	71,236,267	6,173,685,737	166,923,012	6,340,933,949	6,340,933,949	1%
2021	5,375,742,432	350,856,941	634,502,989	82,091,259	6,443,193,621	220,319,000	6,663,512,621	6,663,512,621	1%

(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. The City of Martinez encompasses more than 15 tax rate areas.

Source: Contra Costa County Auditor Controller Office Certificate of Assessed Valuations and HDL Coren & Cone

**CITY OF MARTINEZ  
PROPERTY TAX RATES  
ALL OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**



■ Martinez Unified School District	■ East Bay Regional Park	■ Contra Costa Water Land Levy	■ Bay Area Rapid Transit
■ Contra Costa Community College	■ City of Martinez Bonds	■ Mt. Diablo	■ Basic County Wide Levy

<b>Fiscal Year</b>	<b>Basic County Wide Levy</b>	<b>Bay Area Rapid Transit</b>	<b>Contra Costa Community College</b>	<b>Contra Costa Water Land Levy</b>	<b>East Bay Regional Park</b>	<b>Martinez Unified School District</b>	<b>Mt. Diablo School</b>	<b>City of Martinez Bonds</b>	<b>Total</b>
2012	1.0000	0.0041	0.0144	0.0051	0.0071	0.0608	0.0608	0.0347	1.1870
2013	1.0000	0.0043	0.0087	0.0045	0.0051	0.0633	0.0633	0.0347	1.1839
2014	1.0000	0.0075	0.0133	0.0042	0.0078	0.0658	0.0658	0.0347	1.1991
2015	1.0000	0.0045	0.0252	0.0037	0.0085	0.0568	0.0568	0.0347	1.1902
2016	1.0000	0.0026	0.0220	0.0035	0.0067	0.0550	0.0550	0.0347	1.1795
2017	1.0000	0.0080	0.0120	0.0032	0.0032	0.0524	0.0524	0.0347	1.1659
2018	1.0000	0.0084	0.0114	0.0030	0.0021	0.1133	0.1133	0.0347	1.2862
2019	1.0000	0.0070	0.0110	0.0028	0.0021	0.1067	0.0908	0.0181	1.2385
2020	1.0000	0.0120	0.0188	0.0026	0.0094	0.1067	0.0908	0.0181	1.2584
2021	1.0000	0.0139	0.0161	0.0025	0.0014	0.1070	0.0909	0.0182	1.2500

Source: Contra Costa County Auditor Controller



**CITY OF MARTINEZ  
Water System Revenue  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Water Sales</b>	<b>Total Operating Revenue</b>	<b>Percentage of Water Sales to Operating Revenue</b>
2012	\$10,058,440	\$10,438,993	96.35%
2013	10,688,120	11,244,347	95.05%
2014	10,902,108	11,678,627	93.35%
2015	10,166,736	11,436,258	88.90%
2016	10,215,923	11,057,430	88.90%
2017	10,708,122	11,139,006	96.13%
2018	11,841,458	12,279,253	96.43%
2019	12,236,476	12,724,092	96.17%
2020	13,153,473	14,246,302	92.33%
2021	14,606,609	14,989,699	97.44%

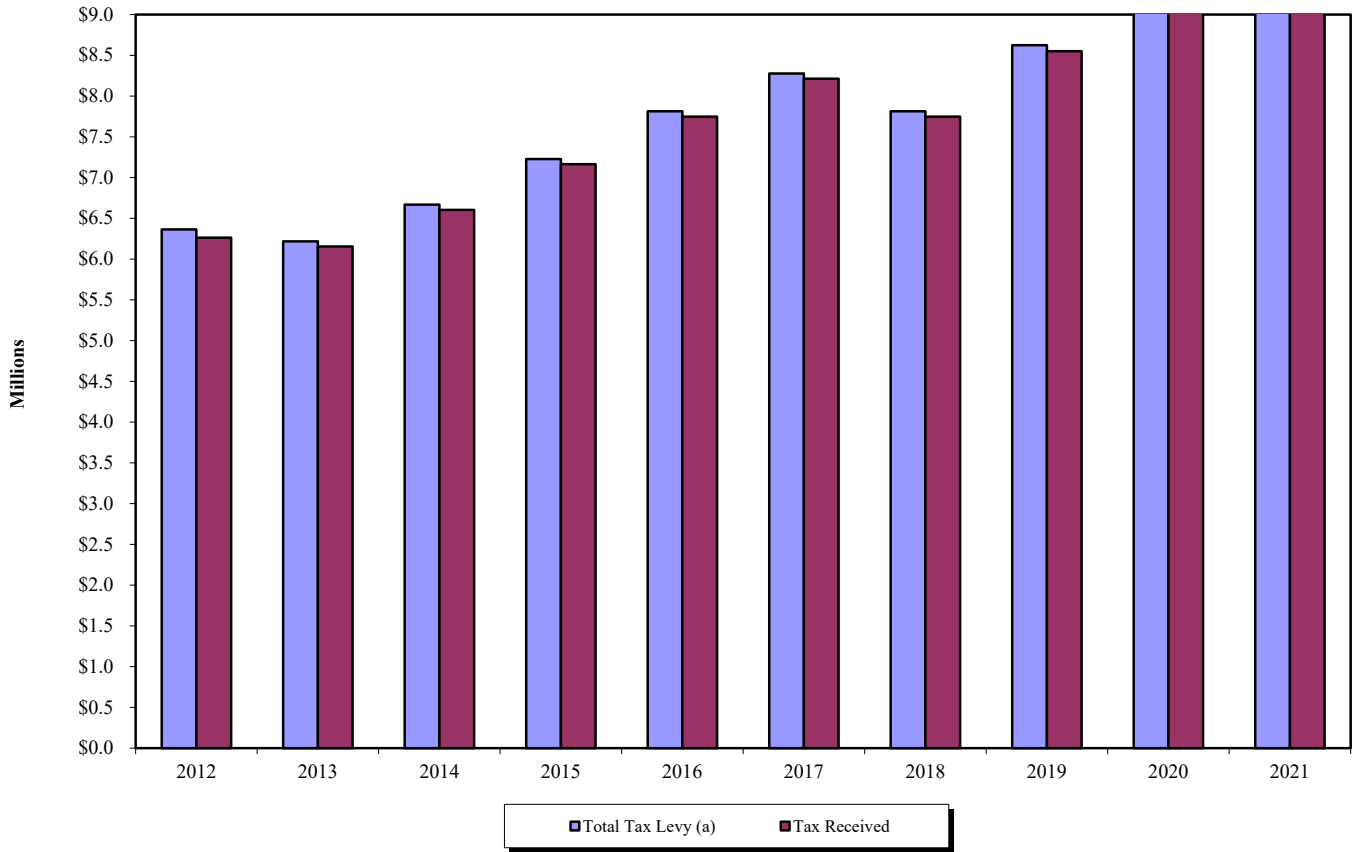
Source: City of Martinez Administrative Services Department

**CITY OF MARTINEZ**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

<b>Taxpayer</b>	<b>2020-2021</b>			<b>2011-12</b>		
	<b>Taxable Assessed Value Secured &amp; Unsecured</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value Secured &amp; Unsecured</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Equilon Enterprises LLC	\$241,314,157	1	3.6%	\$188,586,657	1	4.4%
Pacific Atlantic Terminals LLC	177,970,385	2	2.7%	143,806,694	2	3.4%
Tesoro Refining & Marketing Company	66,602,525	3	1.0%	41,582,836	3	1.0%
Pur Hidden Creek LLC	48,651,201	4	0.7%			
Ecoservices Operations, LLC	46,549,161	5	0.7%			
PUR MC Martinez LLC	30,300,000	6	0.5%			
Tesla Energy Operations	26,989,778	7	0.4%			
Muir Station Center LLC	22,304,808	8	0.3%	19,039,956	7	0.4%
Walmart Real Estate Business	21,928,821	9	0.3%	19,531,978	5	0.5%
Muirwood Square Investors LP	21,741,299	10	0.3%	18,558,924	10	0.4%
Stauffer Chemical Company				27,347,739	4	0.6%
Kenneth H. & Martha Hofmann Trust				19,302,426	6	0.5%
KW Hidden Creek LLC				18,991,509	8	0.4%
Collier Village Oaks LLC				18,973,698	9	0.4%
<b>Subtotal</b>	<b>\$704,352,135</b>		<b>10.6%</b>	<b>\$515,722,417</b>		<b>12.2%</b>
<b>Total Net Assessed Valuation:</b>						
Fiscal Year 2020-21	\$6,663,512,621					
Fiscal Year 2011-12	\$4,239,413,861					

Source: HDL Coren & Cone

**CITY OF MARTINEZ  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

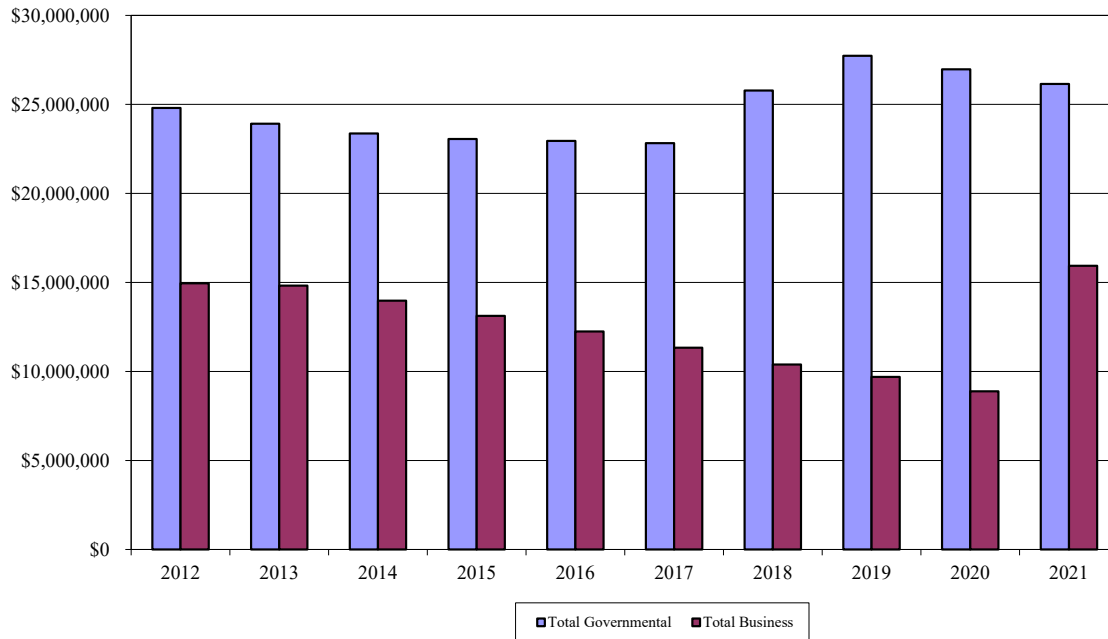


<u>Fiscal Year</u>	<u>Total Tax Levy (a)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>County Administrative Fee</u>	<u>Total Tax Received</u>
2012	\$6,364,318	\$6,364,318	100.00%	(\$101,448)	\$6,262,870
2013	6,218,195	6,218,195	100.00%	(63,233)	6,154,962
2014	6,668,234	6,668,234	100.00%	(65,020)	6,603,214
2015	7,227,747	7,227,747	100.00%	(62,661)	7,165,086
2016	7,813,158	7,813,158	100.00%	(65,017)	7,748,141
2017	8,276,355	8,276,355	100.00%	(64,123)	8,212,232
2018	7,813,158	7,813,158	100.00%	(65,017)	7,748,141
2019	8,624,000	8,624,000	100.00%	(73,119)	8,550,881
2020	9,521,300	9,521,300	100.00%	(71,014)	9,450,286
2021	9,970,017	9,970,017	100.00%	(77,512)	9,892,505

NOTE: a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

Source: Contra Costa County Auditor-Controller

**CITY OF MARTINEZ**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**



<b>Governmental Activities</b>				<b>Percentage of Actual Taxable Value of Property</b>	<b>General Bonded Debt Per Capita</b>
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Certificates of Participation</b>	<b>Total</b>		
2012	\$24,300,000	\$500,000	\$24,800,000	0.57%	670.81
2013	23,660,000	255,000	23,915,000	0.57%	646.84
2014	23,365,000		23,365,000	0.52%	634.19
2015	23,055,000		23,055,000	0.48%	624.95
2016	22,945,000		22,945,000	0.44%	619.18
2017	22,820,000		22,820,000	0.42%	605.98
2018	25,780,000		25,780,000	0.44%	676.69
2019	25,295,000	2,438,734	27,733,734	0.42%	657.18
2020	24,985,000	1,984,682	26,969,682	0.39%	673.34
2021	24,635,000	1,514,375	26,149,375	0.37%	668.94

<b>Business-Type Activities</b>				<b>Total</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (a)</b>	<b>Per Capita</b>
<b>Fiscal Year</b>	<b>Water Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Loans Payable</b>				
2012		\$10,805,000	\$4,146,224	\$14,951,224	\$39,751,224	2.97%	\$1,097.34
2013		10,647,884	4,171,723	14,819,607	38,734,607	2.72%	1,058.96
2014		9,780,632	4,197,223	13,977,855	37,342,855	2.61%	1,013.59
2015		8,898,380	4,222,723	13,121,103	36,176,103	(a)	980.62
2016		7,996,130	4,248,223	12,244,353	35,189,353	(a)	949.60
2017		7,058,880	4,273,724	11,332,604	34,152,604	(a)	906.91
2018		6,091,630	4,299,224	10,390,854	36,170,854	(a)	934.45
2019		5,371,000	4,324,724	9,695,724	37,429,458	(a)	989.42
2020		4,537,130	4,350,224	8,887,354	35,857,036	(a)	966.34
2021	\$11,560,000		4,375,724	15,935,724	42,085,099	(a)	1,142.78

(a) Personal Income data not available for fiscal years 2014 through 2021

Sources: City of Martinez  
State of California, Department of Finance (population)  
U.S. Department of Commerce, Bureau of the Census (income)

**CITY OF MARTINEZ  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
JUNE 30, 2021**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$6,663,512,621
--	-----------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$249,881,723
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$24,635,000
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Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	0
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Amount of debt subject to limit	24,635,000
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LEGAL BONDED DEBT MARGIN	\$225,246,723
--------------------------	---------------

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
2012	\$153,089,586	\$24,300,000	\$128,789,586	18.87%
2013	156,586,463	23,660,000	132,926,463	17.80%
2014	167,224,911	23,365,000	143,859,911	16.24%
2015	180,090,017	23,055,000	157,035,017	14.68%
2016	194,409,712	22,945,000	171,464,712	13.38%
2017	204,195,788	22,820,000	181,375,788	12.58%
2018	220,596,096	24,635,000	194,816,096	12.65%
2019	221,115,040	25,780,000	195,335,040	13.20%
2020	249,881,723	24,985,000	205,745,410	12.14%
2021	249,881,723	24,635,000	225,246,723	10.94%

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 the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF MARTINEZ  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2021**

2020-21 Assessed Valuation \$6,663,512,621

<u>DIRECT LONG-TERM DEBT</u>	Total Debt 06/30/21	(1) % Applicable	City's Share of Debt 6/30/21
City of Martinez	\$24,635,000	<b>100.000%</b>	\$24,635,000
Subtotal Direct Long-term Debt	24,635,000		24,635,000
 <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>			
Contra Costa County	334,729,873	2.943%	9,851,100
Bay Area Rapid Transit District	328,172,932	2.943%	9,658,129
East Bay Regional Park District	125,395,149	2.943%	3,690,379
Contra Costa Community College District	939,870,000	2.953%	27,754,361
Martinez Unified School District	150,950,000	60.242%	90,935,299
Mount Diablo Unified School District	527,849,615	5.299%	27,970,751
Contra Costa Fire	26,670,000	6.378%	1,701,013
 TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	 2,433,637,569		 171,561,032
 <b>TOTAL DIRECT DEBT</b>			 \$24,635,000
<b>DIRECT AND OVERLAPPING DEBT</b>			<b>\$196,196,032</b>
<b>NET OVERLAPPING DEBT</b>			<b>\$171,561,032</b>

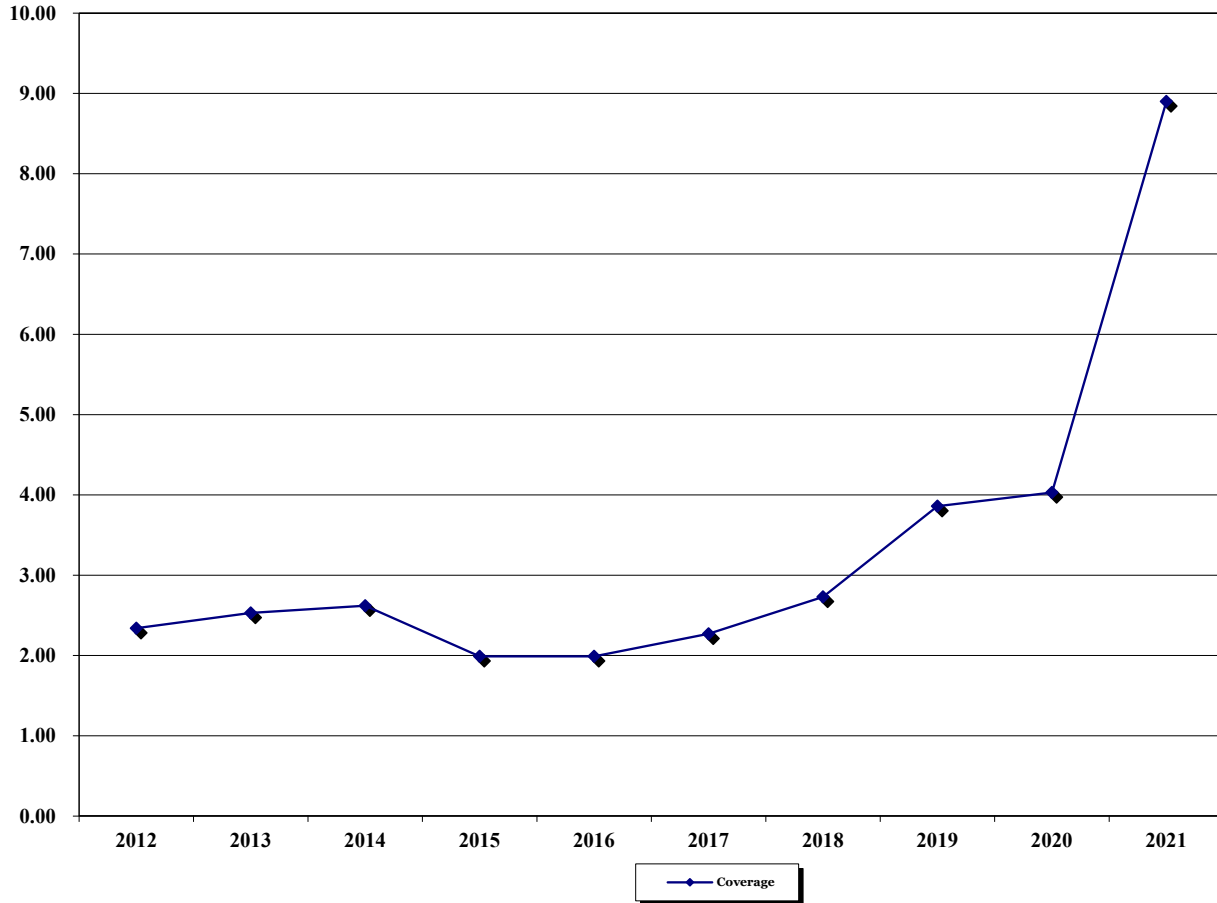
(1)The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

2020/21 Assessed Valuation: \$6,663,512,621 After Deducting \$0 Incremental Value.

Direct Debt	0.37%
Overlapping Debt	2.36%
Total Debt	2.73%

**Data Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor Combined 2020/21 Lien Date Tax Rolls**  
**This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone**

**CITY OF MARTINEZ  
WATER FUND CERTIFICATES OF PARTICIPATION  
DEBT COVERAGE CALCULATION  
LAST TEN FISCAL YEARS**

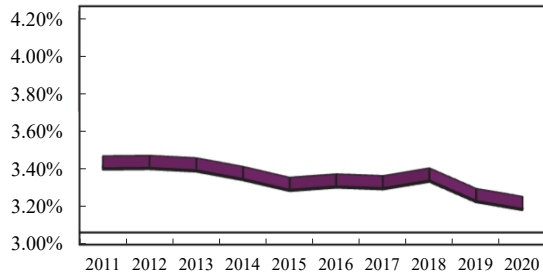


<b>Fiscal Year</b>	<b>Gross Revenue (1)</b>	<b>Operating Expenses (2)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2012	\$10,488,260	\$8,318,126	\$2,170,134	\$345,000	\$181,771	\$526,771	2.34
2013	11,286,802	8,670,144	2,616,658	795,000	354,089	1,149,089	2.53
2014	11,722,012	8,703,244	3,018,768	820,000	332,370	1,152,370	2.62
2015	11,476,090	9,202,430	2,273,660	835,000	309,485	1,144,485	1.99
2016	11,160,659	8,571,619	2,589,040	855,000	285,799	1,140,799	1.99
2017	11,214,057	8,357,609	2,856,448	890,000	258,528	1,148,528	2.27
2018	12,279,253	9,150,342	3,128,911	920,000	227,681	1,147,681	2.73
2019	12,724,092	8,337,734	4,386,358	940,000	195,700	1,135,700	3.86
2020	13,299,003	10,345,874	2,953,129	520,000	211,992	731,992	4.03
2021	16,533,198	10,523,989	6,009,209	551,382	124,100	675,482	8.90

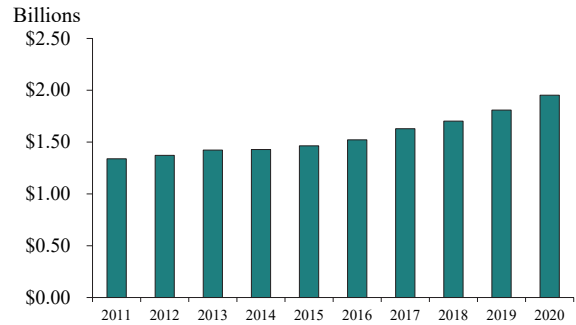
Notes: (1) Includes all Water Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenues  
(2) Includes all Water Operating Expenses less Depreciation and Interest

Source: City of Martinez Annual Financial Statements

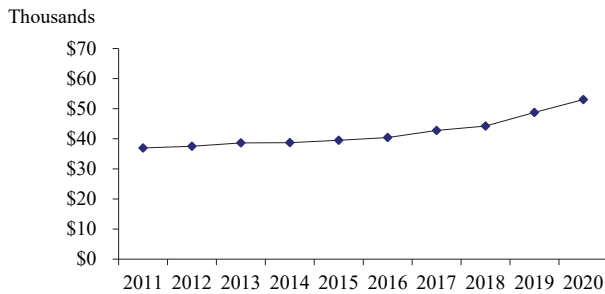
**CITY OF MARTINEZ  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**



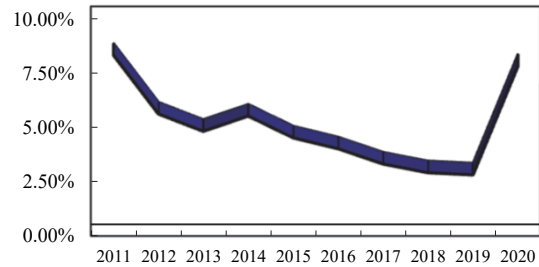
■ City Population % of County



■ Total Personal Income (a)



◆ Per Capita Personal Income (a)



■ Unemployment Rate (%)

Calendar Year	City Population	Total Personal Income (a)	Per Capita Personal Income (a)	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2011	36,225	\$1,338,550,000	\$36,951	8.3%	1,065,117	3.40%
2012	36,578	1,371,821,000	37,504	5.6%	1,074,702	3.40%
2013	36,842	1,423,575,000	38,640	4.8%	1,086,553	3.39%
2014	36,891	1,428,309,000	38,717	5.5%	1,102,871	3.34%
2015	37,057	1,464,010,000	39,506	4.5%	1,127,279	3.29%
2016	37,658	1,522,185,000	40,421	4.0%	1,139,313	3.31%
2017	38,097	1,629,580,000	42,774	3.3%	1,155,879	3.30%
2018	38,490	1,702,724,000	44,238	2.9%	1,153,561	3.34%
2019	37,106	1,808,937,000	48,750	2.8%	1,149,363	3.23%
2020	36,827	1,952,819,000	53,026	7.8%	1,155,879	3.19%

NOTES: (a) Per capita personal income are only available for Contra Costa County.

Personal income is the product of the countywide per capita amount multiplied by the City's population.

(b) Data for fiscal year 2021 not available.

Source: California State Department of Finance  
Bureau of Economic Analysis  
California State Employment Development Department



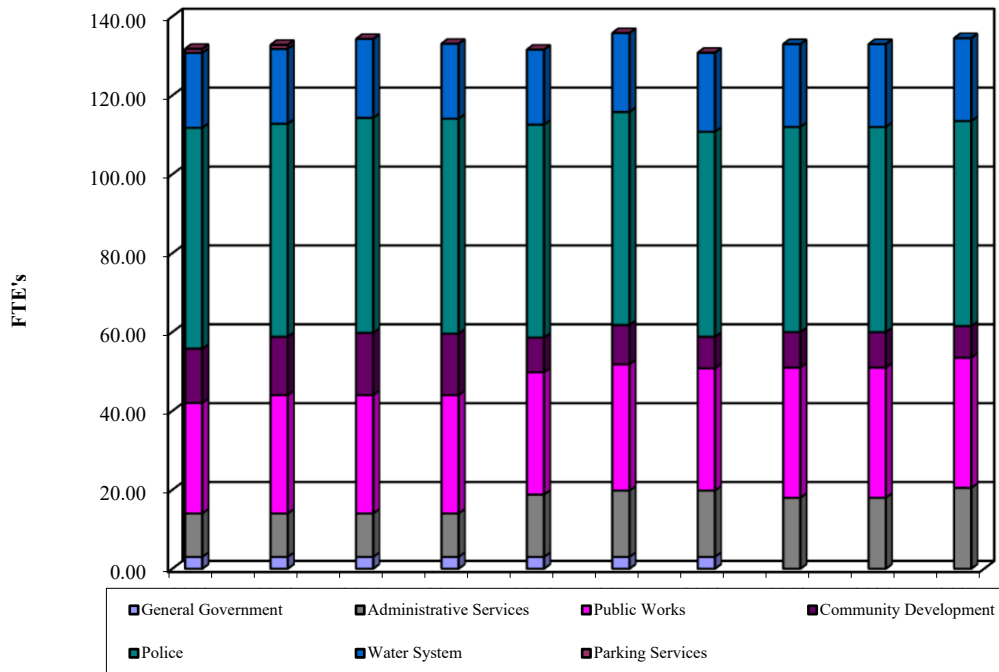
**CITY OF MARTINEZ**  
**Principal Employers**  
**Current Year and Ten Years Ago**

<b>Employer</b>	<b>2020-21</b>			<b>2010-11</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Contra Costa County (a)	10,065	1	49.10%	9,489	1	44.13%
Veterans Admin Medical Center	962	2	4.69%	650	4	3.02%
Kaiser Permanente	730	3	3.56%	715	3	3.33%
Equilon Enterprises LLC	702	4	3.42%			
Martinez Unified School District	672	5	3.28%	401	5	1.87%
Wal-Mart Store	275	6	1.34%	232	6	1.08%
Safeway Stores	190	7	0.93%	160	7	0.74%
Home Depot	125	8	0.61%	108	10	0.50%
City of Martinez	136	9	0.66%	124	9	0.58%
Brand Energy & Infrastructure Service	120	10	0.59%			
Shell Oil Refinery				733	2	3.41%
Contra Costa Electric				150	8	0.70%
<b>Total Top Employers</b>	<b>13,977</b>		<b>68.18%</b>	<b>12,762</b>		<b>59.36%</b>
<b>Total City Employment</b>	<b>20,500</b>			<b>21,500</b>		

(a) Contra Costa County employee count represents the entire county.

Source: City of Martinez

**CITY OF MARTINEZ**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**



**June 30,**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Function</b>										
General Government	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.50
Administrative Services	11.00	11.00	11.00	11.00	15.80	16.80	16.80	18.00	18.00	20.50
Public Works	28.00	30.00	30.00	30.00	31.00	32.00	31.00	33.00	33.00	33.00
Community Development	13.80	14.80	15.80	15.60	8.80	10.00	8.00	9.00	9.00	8.00
Police	56.00	54.00	54.50	54.50	54.00	54.00	52.00	52.00	52.00	52.00
Water System	19.00	19.00	20.00	19.00	19.00	20.00	20.00	21.00	21.00	21.00
Parking Services	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>131.80</b>	<b>132.80</b>	<b>134.30</b>	<b>133.10</b>	<b>131.60</b>	<b>135.80</b>	<b>130.80</b>	<b>136.00</b>	<b>136.00</b>	<b>137.00</b>

Source: City of Martinez Administrative Services Department

**CITY OF MARTINEZ**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2012	2013	2014	2015
<b>Function/Program</b>				
Public safety:				
Police:				
Police calls for Service	24,700	27,584	28,782	32,234
Law violations:				
Part I and Part II crimes	3,612	3,857	3,854	3,802
Physical arrests (adult and juvenile)	1,162	1,348	1,417	1,394
Traffic violations	1,040	1,012	1,464	886
Parking violations	3,143	7,554	12,153	9,739
Public works				
Street resurfacing				
Seal Coat (miles)	0.00	0.00	1.82	0.10
Asphalt overlay (miles)	0.50	0.87	0.15	0.10
Culture and recreation:				
Community Services:				
Number of recreation classes	520	726	730	720
Number of community events	72	150	162	170
Number of facility rentals	263	521	532	660
Water				
Water service connections - active	9,777	9,768	9,807	9,846
Water main breaks	40	52	33	23
Average daily consumption (thousands of gallons)	3,594	3,770	3,779	3,829

Source: City of Martinez

<b>Fiscal Year</b>					
<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
32,234	32,913	28,081	30,702	31,639	27,914
3,802	3,633	2,114	721	883	2,091
1,394	1,179	1,014	722	1,454	458
886	740	390	567	1,296	255
9,739	8,513	8,302	8,734	2,812	516
0.10	0.00	9.84	10.28	15.60	0.87
0.10	0.41	0.41	0.80	2.75	2.90
720	744	739	796	61	320
170	174	185	97	67	74
660	645	685	790	161	693
9,846	9,943	9,955	9,950	9,945	9,976
23	40	42	20	46	31
3,829	3,974	3,315	3,222	3,308	3,531

**CITY OF MARTINEZ**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Public safety:</b>				
Police stations	1	1	1	1
Police sworn officers	37	37	37	37
<b>Public works</b>				
Miles of streets	122	122	122	122
Street lights	5,005	5,017	5,017	5,017
Traffic Signals	265	265	265	265
<b>Culture and recreation:</b>				
<b>Community services:</b>				
City parks	17	17	17	17
City parks acreage	271	271	271	271
Playgrounds	14	14	14	14
City trails	9	9	9	9
Roadway landscaping acreage	12	12	12	12
Community gardens	1	1	1	1
Senior centers	1	1	1	1
Performing arts centers	1	1	1	1
Swimming pools	1	1	1	1
Tennis courts	10	10	10	10
Skateboard Park	1	1	1	1
Baseball/softball diamonds	11	11	11	11
Soccer fields	7	7	7	7
<b>Water</b>				
Miles of water lines	100	100	100	100
Storage capacity (thousands of gallons)	9,522,000	9,522,000	9,522,000	9,522,000

Source: City of Martinez

Fiscal Year						
2016	2017	2018	2019	2020	2021	
1	1	1	1	1	1	1
37	37	37	37	37	37	37
122	122	122	122	122	122	122
5,017	5,017	5,017	5,017	5,017	5,017	5,017
265	265	265	265	265	265	265
17	17	17	17	17	17	17
271	271	271	271	271	271	271
14	14	14	14	14	14	14
9	9	9	9	9	9	9
12	12	12	12	12	12	12
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
10	10	10	10	10	10	10
1	1	1	1	1	1	1
11	11	11	11	11	11	11
7	7	7	7	7	7	7
100	100	100	100	138	138	
9,522,000	9,522,000	9,922,000	9,922,000	9,970,000	9,970,000	

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