



**AN** 2020 ANNUAL REPORT  
**UNCHARTED  
COURSE**





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# Navigating change

This year is a period of time that will shape our industry, our community, and our world for years to come. We have been undergoing a significant shift for years – from how our customers use electricity, to a swing in renewable energy targets, to the increasing threat of wildfires. While these remain true and of critical importance to our business, we now also face the lingering impacts of COVID-19 on our community. Despite the changing landscape and seemingly uncharted course, Roseville Electric Utility stands ready to navigate these changes head on while maintaining exceptional service and reliability to those that matter most – you, our customers.

One of the top threats to all utilities is wildfire. Each year, this season seems to start earlier and last longer, adversely impacting public health, safety, and the economy. In addition, wildfires present real financial impacts on

community-owned utilities. In fall of 2019, our region was significantly impacted by Public Safety Power Shutoffs (PSPS), a wildfire mitigation response mandated for investor-owned utilities throughout California. Unlike many of our neighboring communities, Roseville was not impacted by the extended shutoffs. We take pride in our maintenance and vegetation management plans, the diversity of our energy portfolio, and, most importantly, our natural gas plant right here in Roseville.

As seasons shifted, so did our focus with the initial impacts of COVID-19. As an essential service, we focused on balancing the safety of our staff with the electricity needed to keep the power on for residents and businesses alike. The coronavirus outbreak caused far-reaching concern and economic hardship for our customers, raising a number of unique challenges. In response, we created

Roseville saw a **3.8%** population growth in 2019

**61,662** Total customers



**54,687** Residential customers

**6,975** Commercial customers

2019 Power Content Label





new programs to help alleviate some of the financial burdens, including an Electric Residential Relief Program.

Despite many of these challenges, we ended the year in good fiscal standing. This fiscal strength afforded us the ability to purchase a long-time vacant building adjacent to Vernon Square and other City operations. The building at 116 S. Grant allows us to combine utility billing and public service counters to improve customer service, access and efficiency. We are excited for this opportunity and look forward to occupying the building in the year to come.

There is no doubt that these are uncertain and challenging times on many fronts, but I am confident we will get through this, together. As always, we stand ready to partner with our community.



**Michelle Bertolino**  
Roseville Electric  
Utility Director

A handwritten signature in black ink that reads "Michelle Bertolino".

**“There is no doubt that these are uncertain and challenging times on many fronts, but I am confident we will get through this, together.**

**As always, we stand ready to partner with our community.”**



Since 1912, the City of Roseville has owned and operated its own electric utility.

Our primary purpose is to provide highly reliable electricity to the residents and businesses of Roseville.



Our team manages **4,025** power poles



**808** miles of underground circuit cable



and **144** miles of 60 & 12 kV overhead lines

**Nearly 85%**  
of our equipment  
is underground







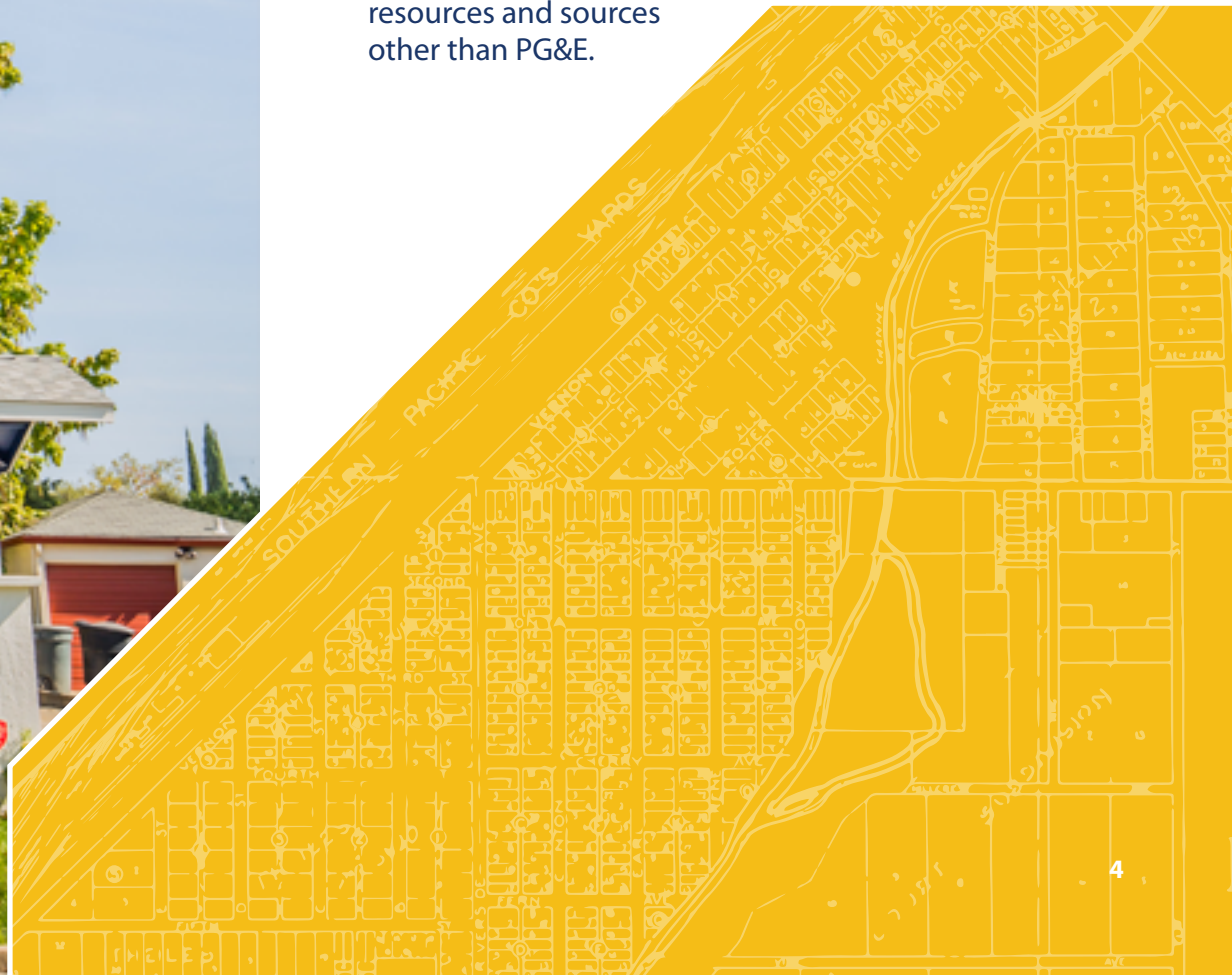
# Keeping the lights on

## Roseville residents not impacted by safety shutoffs

In fall of 2019, investor-owned utilities implemented Public Safety Power Shutoffs (PSPS) throughout California as a mitigation effort for severe weather conditions and fire danger in high threat areas.

Unlike neighboring investor-owned utilities, Roseville was able to keep the lights on during these challenging times. Unlike some rural areas in nearby cities, Roseville has no high fire threat areas within our service territory.

In addition, we are connected to a different section of the power grid and receive our power from Roseville's own generation resources and sources other than PG&E.



# Reliability, a top priority

## Aggressive pole maintenance leads to operational efficiencies

We are committed to delivering reliable service in the safest way possible. Our crews work year round to ensure Roseville's equipment is well-maintained, including upgrading lines and poles so your power is there when you need it.

In 2019, the Operations team at Roseville Electric completed 895 intrusive tests on wood power poles, or roughly 20% of the poles within our 43 square mile service territory.

Just as other utilities in the state of California, we are required to perform an intrusive wood pole test every 20 years (after the initial test). However, in an effort to increase reliability within our system and "level load" the cost of labor associated with replacements every 20 years, our team pioneered an in-house testing program in 2018.

We have dedicated two full-time employees to perform inspections every five years, much stricter guidelines than those imposed by the California Public Utilities Commission. Of the nearly 900 poles inspected during 2019, 41 failed the intrusive inspection.

### TESTING INTERVAL



CPUC Requirement



Roseville Standard



Depending on the severity, we have up to 36 months to complete replacements. In the first 10 months of 2020, our Operations team had already replaced 25 of the 41 failed poles, exceeding regulatory requirements.

As always, our goal remains the same – to provide safe and reliable electric service for the customers of Roseville.





## Helping maintain neighboring infrastructure

Mutual aid is an important component in the utility industry. As part of the California Utilities Emergency Association, Roseville Electric Utility is able to provide mutual assistance to other member utilities during times of disaster. We are also available to help with important maintenance, such as pole replacements.

In 2020, Roseville Electric assisted neighboring Sacramento Municipal Utility District (SMUD) with 66 pole replacements within their service territory.



**“This fiscal year,  
75% of our energy  
came from carbon-free  
resources, with nearly  
half that amount being  
from renewables.”**



# Natural gas powering Roseville's reliability

Our utility focuses on a diverse portfolio of generation sources. This fiscal year, 75% of our energy came from carbon-free resources, with nearly half that amount being from renewables. In addition, we are able to use our own generation resources right here in Roseville to increase reliability and cost-savings for our customers.

Our combined-cycle natural gas plant, now in its 12th year of operation, provides our City with greater flexibility to meet demand. This fiscal year, our generation team completed a significant amount of work at the Roseville Energy Park (REP) and Roseville Power Plant 2 (RPP2). This included:



## Plant Master commissioned in the REP Control software

- This was the first step for the REP to enter the Energy Imbalance Market (EIM). This is the main software interface for remotely controlling plant output which is necessary for EIM entry, which is slated for April 2021.



## Added concrete work areas throughout the REP facility

- We worked through the California Energy Commission application process to get extra concrete work areas added to the facility. This adds safety and efficiency to the site work processes.



## The Zero Liquid Discharge (ZLD) Multi-Media Filter Units rehabilitated

- This increases the efficiency of the ZLD as a whole and is part of the ongoing process of site rehabilitation.



## Maintenance Process Audit completed

- We had a consultant perform a maintenance process audit. The audit found the Generation Division maintenance practices were consistent with industry standards, and exceeded those standards in some areas.



## RPP2 CT1 Exhaust Stack Rehabilitation

- Replacing worn stack components is part of the ongoing process of site rehabilitation.



## Behavior Based Safety Process (BBS)

- The Generation Division implemented the City's first BBS to continue its pattern of excellence in safety. The new process couples peer review of work processes with a focus on worker behaviors to prevent accidents.



# Essential, now more than ever

As our community and nation mobilized to slow the spread of COVID-19 in March 2020, Roseville Electric took proactive measures to limit risk for our employees and the public while creating programs for customers facing financial hardship. As residents were asked to stay home for work and school, we focused on maintaining reliable electric service for the City of Roseville.

In response to the escalating concerns about public safety and the pandemic, Roseville Electric closed all buildings to the public and moved customer services online. Despite these unprecedented shifts, our utility maintained all functions to ensure our system operated like business as usual in very unusual circumstances.





# Residential relief during uncertain times

In late March, we paused disconnections for non-payment for both residential and commercial customers. We also actively worked with customers on payment plans and available resources. Just over two weeks after the shelter-in-place order was issued for Placer County, we launched the Electric Residential Relief Program.

The short-term assistance program, funded by existing public benefits programs, was designed to support residents who were struggling financially as a result of COVID-19. Qualifying customers received a one-time credit per account in the amount of \$50 for multi-family residences and \$100 for single-family residences.

In addition to the one-time bill credit, qualifying residents were enrolled in the Electric Rate Assistance Program which provides a 15% discount on electric service each month for two years.



**1,178**  
Accounts enrolled



**\$90,400**  
Credited

**“Roseville Electric staff advocated on key legislative and regulatory issues this year alongside our coalition partners with the goal of maintaining the ability to provide reliable, affordable power to our customers while retaining local decision-making authority over our programs, services, resources and rates.”**

*Amber Blixt,  
Utility Government Relations Administrator*

## Advocating for our community

With the ever-increasing technological advancements in the electric utility industry, as well as increased legislative and regulatory mandates, our utility is constantly transforming to best serve our customers in the most efficient, reliable and cost-effective way possible. The issues we focused on in the 2020 legislative session included:



**Wildfire mitigation, prevention, preparedness and response**



**Existing investments in natural gas-fired generation**



**Procurement that fits community need**

A big emphasis on the legislative front also included suspension of disconnections for non-payment as a result of COVID-19. These issues will remain of critical importance in the year ahead.







**Our Utility legislative and regulatory affairs team works in concert with our citywide legislative team to advocate for Roseville residents.**

**This effort is in coordination with our City Council in an effort to make smart decisions for our community now, and in the years to come.**

# Building for the future

Since 1987, Roseville Electric Utility has been located in its current administration building off PFE Road. In over 20 years, our utility system, number of customers and space needs have increased significantly.

With growth and increased customer convenience in mind, in early 2019 we started looking seriously at a vacant four-story building located at 116 S. Grant Street.

The building was previously owned by Joseph Mohamed Sr. and Shirley M. Mohamed and had been unoccupied for a number of years.

During that time, the City had been in discussions with Mr. Mohamed regarding the sale or leasing of the office building.

Prior to constructing an office building at 316 Vernon Street, the City of Roseville made an offer

to acquire the vacant building; however, the offer was declined.

In December 2019, Mr. Mohamed approached the City about purchasing the building. With the anticipated needs of our utility and growing customer base, the purchase made perfect sense.

The purchase of the building, now referred to as the Legacy Building, allows Roseville Electric to have a one-stop shop for all utility customer needs. Currently, some utility customer services are located downtown and others are located off of PFE Road.

The building also allows us to combine utility billing and public service counters to improve customer service, access and efficiency.

We expect to occupy the building in late 2021.







## Post Office finds new home in Legacy Building

An expiring lease and new space needs led to a needed relocation for the post office location on Vernon Street. Roseville Electric's purchase of the Legacy Building opened the door for a convenient new home.

In recent years, the postal service distribution operations at the previous 320 Vernon Street location were reduced such that the entire building was no longer necessary. Additionally, the lease for the building was set to expire in 2020.

The USPS decision to relocate to 116 S. Grant followed public feedback from a February 5, 2020 community meeting and search for a suitable location to accommodate retail operations and USPS vehicle access.

The central location is adjacent to the previous post office site, Civic Center, and two free parking garages.



# Charge Ahead Roseville

Electric transportation is an emerging technology poised for rapid adoption in the United States. According to a report by the International Council on Clean Transportation (ICCT), there are expected to be more than 3 million electric vehicles (EVs) on the road by 2025.

This type of growth has the potential to challenge the electric grid. Workplace charging can be a key component in a comprehensive approach to optimizing the cost of infrastructure needed to support electric vehicles. While the vast majority of

electric vehicle charging is and will continue to be at home, public and workplace charging options allow drivers to take advantage of the times and places where electric vehicles are parked the longest.

The growth and evolution of plug-in electric vehicles provide us with new opportunities to serve our community. In November 2019, Roseville Electric launched a new program called Charge Ahead Roseville which offered enhanced rebates and tools for residents and businesses throughout our City in an effort to increase adoption of EV technology.

## Free charging in Roseville

We are proud to offer free charging at our two downtown Roseville parking garages. The free charging is funded by the California Air Resource Board's Low Carbon Fuel Standard Program which was set up to advance the adoption of electric vehicles.

In fiscal 2020, we provided \$7,203.60 worth of free charging between the two downtown locations.





**The growth and evolution of plug-in electric vehicles provide us with new opportunities to serve our community.**

### **New rebates and tools make it easier to choose electric**

To help our customers find an EV that best meets their needs, Roseville Electric launched a new online tool. PlugStar helps make electric vehicle shopping easy and also gets you connected with a qualified EV dealer near you. There are six certified PlugStar dealerships in Roseville.

# Exploring online learning during pandemic

Like all City buildings, the Utility Exploration Center temporarily closed on March 18, 2020. This included the cancellation of scheduled events such as Fix a Leak Week and Earth Night as well as all programming which included eight workshops, three preschool playgroups, three facility tours, three outreach events, and dozens of school field trips.

In an effort to provide content for families and teachers tackling distance learning and a new way of life, our staff immediately converted workshops to webinars, created teacher lesson plans and utility-based home activities for families, produced videos for adult education, and adapted the annual Big Trucks Summer to a virtual event.

The silver lining of this shelter-in-place was the time for our team to update school

curriculum and align our programming with Next Generation Science Standards (NGSS). These standards are K–12 science content standards that set the expectations for what students should know and be able to do. The NGSS were developed by states to improve science education for all students.

These standards give local educators and our Utility Exploration Center team the flexibility to design classroom learning experiences that stimulate students' interests in science and prepares them for college, careers, and citizenship.

By incorporating these standards into our curriculum, we are enhancing utility messaging while providing teachers valuable curriculum for their classrooms.







**29,930**

Exhibit hall  
attendants



**13,219**

Family events and  
outreach attendees



**5,359**

School program and  
tour attendees



**482**

Adult workshop  
attendees



# City of Roseville Electric Utility

**BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

**SOURCES OF POWER SUPPLY**  
**FISCAL YEAR ENDED JUNE 30, 2020**

<b>SOURCE</b>	<b>TYPE</b>	<b>CAPACITY AVAILABLE (MW)</b>	<b>ESTIMATED POWER (GWH)<sup>2</sup></b>	<b>% OF TOTAL</b>
Roseville Energy Park	Natural Gas	155	177	15%
Roseville Power Plant 2	Natural Gas	48	2	0
<b>Purchased Power:</b>				
WAPA	Hydro	68	159	14
NCPA				
Geothermal Project	Geothermal	8	52	4
Hydroelectric Project	Hydro	30	54	5
Steam Injected Gas Turbine Generator Project	Natural Gas	18	4	
<b>Market &amp; Contract Purchases:</b>		79		
Renewable	Various	0	345	29
Non-renewable	Various	0	379	32
<b>TOTAL</b>		<b>406</b>	<b>1,171</b>	<b>100%</b>
<b>Peak Demand (MW) <sup>1</sup></b>		334		
<b>Capacity Reserve Percent <sup>(3)</sup></b>		18%		

Source: City of Roseville

(1) Capacity in MW and available for system peak (June 26, 2020).

(2) One gigawatt-hour (GWh) equals one million kilowatt-hours (KWh).

(3) Capacity includes resources and contracts for long-term and seasonable purchases. Capacity reserve planning target is 15% of the forecasted peak. Actual forecasted peak (337 MW).

\*Numbers may not total due to rounding

## ELECTRIC RATE COMPARISON WITH NEIGHBORING UTILITIES<sup>1</sup> (CENTS/KWH) FISCAL YEARS ENDING JUNE 30, 2020

CUSTOMER TYPE	ROSEVILLE ELECTRIC RATES	PG&E RATES	% DIFFERENCE	SMUD RATES	% DIFFERENCE
Residential	15.03	24.75	39%	15.59	4%
Commercial	13.90	23.29	40%	14.62	5%
Industrial	10.69	17.99	41%	12.20	12%

<sup>1</sup>Based on estimated average annual rates as of June 30, 2020.

## CUSTOMERS, SALES, AND PEAK DEMAND FISCAL YEARS ENDING JUNE 30, 2020

CUSTOMERS <sup>1</sup>	2016	% CHG	2017	% CHG	2018	% CHG	2019	% CHG	2020	% CHG
Residential	50,784	1.87%	51,638	1.68%	52,789	2.23%	53,868	2.04%	54,687	1.52%
Commercial	6,700	0.40%	6,759	0.88%	6,812	0.78%	6,884	1.06%	6,975	1.32%
<b>Total</b>	<b>57,484</b>	<b>1.70%</b>	<b>58,397</b>	<b>1.59%</b>	<b>59,601</b>	<b>2.06%</b>	<b>60,752</b>	<b>1.93%</b>	<b>61,662</b>	<b>1.50%</b>

### ENERGY SALES (MWH)

Residential	439,495	2.49%	439,598	0.02%	454,795	3.46%	441,823	-2.85%	458,207	3.71%
Commercial	750,482	0.21%	737,843	-1.68%	728,497	-1.27%	705,575	-3.15%	666,157	-5.59%
<b>Total</b>	<b>1,189,977</b>	<b>1.04%</b>	<b>1,177,441</b>	<b>-1.05%</b>	<b>1,183,292</b>	<b>0.50%</b>	<b>1,147,398</b>	<b>-3.03%</b>	<b>1,124,364</b>	<b>-2.01%</b>

### SALES REVENUES (\$000S)

Residential	68,853	1.76%	68,543	-0.45%	70,803	3.30%	69,551	-1.77%	71,499	2.80%
Commercial	95,078	-0.99%	93,011	-2.17%	91,495	-1.63%	89,727	-1.93%	84,190	-6.17%
<b>Total</b>	<b>163,930</b>	<b>0.15%</b>	<b>161,554</b>	<b>-1.45%</b>	<b>162,298</b>	<b>0.46%</b>	<b>159,278</b>	<b>-1.86%</b>	<b>155,689</b>	<b>-2.25%</b>

Peak Demand (MW)	331.29	-2.57%	355.17	7.21%	353.64	-0.43%	340.08	-3.83%	334.22	-1.72%
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Revenues listed are as billed.

<sup>1</sup>Customer counts report as fiscal year average annual values.

Note: Numbers may not total due to rounding.



## Independent Auditor's Report

Public Utilities Commission  
Electric Department  
City of Roseville, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Electric Fund (Fund), an enterprise Fund of the City of Roseville, California (City), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity'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 entity'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 opinion.

**Opinion**

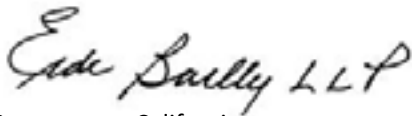
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Fund, as of June 30, 2020 and 2019, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter***Fund Financial Statements*

As discussed in Note 1, the financial statements present only the Electric Fund, an enterprise fund of the City, and do not purport to, and do not present fairly the financial position of the City, as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Electric Fund's proportionate share of the City's net pension liability, Electric Fund's schedule of pension contributions, schedule of the Electric Fund's proportionate share of the City's net OPEB liability, and the schedule of Electric Fund's OPEB contributions 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.



Sacramento, California

March 5, 2021

# Electric Enterprise Fund Management's Discussion and Analysis

**JUNE 30, 2020 AND 2019**

Management of the Roseville Electric Enterprise Fund (Electric Fund), a fund of the City of Roseville (City) offers the following overview and analysis of the financial statements of the Electric Fund for the fiscal year ended June 30, 2020 and 2019. We encourage readers to utilize the information presented here in conjunction with the accompanying basic financial statements.

## **Overview of the Financial Statements**

The Electric Fund's financial statements are divided into two sections: 1) basic financial statements, and 2) required supplementary information.

Included as part of the basic financial statements are the *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, *Statement of Cash Flows*, and notes to the financial statements. The required supplementary information follows the notes to the financial statements and includes the schedules related to pensions and other post-employment benefits.

## **Financial Highlights**

### **2020 compared to 2019**

The Electric Fund's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$438.7 million, an increase of \$43.4 million or 11.0% over the prior fiscal year.

Total operating revenue was \$163.5 million, a decrease of \$4.2 million or 2.5% compared to fiscal year 2019. Total operating expense was \$125.6 million, a decrease of \$7.8 million or 5.9%. Operating income was \$37.9 million. Payment in lieu of taxes of \$6.3 million was paid to the City as a franchise fee.

### **2019 compared to 2018**

The Electric Fund's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$395.4 million, an increase of \$43.6 million or 12.4% over the prior fiscal year.

Total operating revenue was \$167.7 million, a decrease of \$0.5 million or 0.3% compared to fiscal year 2018. Total operating expense was \$133.4 million, a decrease of \$6.5 million or 4.6%. Operating income was \$34.2 million. Payment in lieu of taxes of \$6.5 million was paid to the City as a franchise fee.



## Financial Analysis

The **Statement of Net Position** for the Electric Fund is as follows:

<b>CONDENSED STATEMENT OF NET POSITION</b>			
	FY2020	FY2019	FY2018
<b>ASSETS</b>			
Current Assets	\$218,772.4	\$245,283.5	\$213,023.3
Capital Assets	460,733.1	429,221.6	426,886.5
Non-current Assets	5,175.9	5,218.6	3,572.2
<b>Total Assets</b>	<b>684,681.4</b>	<b>679,723.7</b>	<b>643,482.0</b>
<b>DEFERRED OUTFLOWS</b>			
	<b>38,241.2</b>	<b>38,498.6</b>	<b>34,961.3</b>
<b>LIABILITIES</b>			
Current Liabilities	24,432.0	22,927.6	26,624.3
Non-Current Long-term Debt	158,248.2	202,797.5	211,006.8
Long-term Liabilities	93,619.7	95,684.3	84,574.8
<b>Total Liabilities</b>	<b>276,299.9</b>	<b>321,409.4</b>	<b>322,205.9</b>
<b>DEFERRED INFLOWS</b>			
	<b>7,887.8</b>	<b>1,447.3</b>	<b>4,482.8</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	300,364.0	225,071.0	215,284.2
Restricted:			
Benefit of Rate Payers	19,164.4	19,719.4	14,478.1
Debt Service	16,099.6	16,099.6	16,099.6
Unrestricted	103,106.9	134,475.7	105,892.7
<b>Total Net Position</b>	<b>\$438,734.9</b>	<b>\$395,365.7</b>	<b>\$351,754.6</b>

### 2020 compared to 2019

As of June 30, 2020, the Electric Fund's total assets increased by \$5.0 million or 0.7% compared to the prior year, primarily due to increases in accounts receivable, inventories, and capital assets, net of depreciation, offset by the decrease in cash and investments in City Treasury. Deferred outflows of resources decreased \$0.3 million primarily due to decreases in the accumulated fair value of hedging derivatives, offset by increases in deferred outflows related to pensions and OPEB.

Total liabilities as of June 30, 2020 decreased by \$45.1 million or 14.0% compared to the prior fiscal year. This was due to decreases in outstanding debt, net OPEB liability, and derivative at fair value-liability offset by increases in the net pension liability, accounts payable, accrued payroll and compensated absences liabilities. Deferred inflows of resources increased by \$6.5 million primarily related to OPEB and pensions.

### 2019 compared to 2018

As of June 30, 2019, the Electric Fund's total assets increased by \$36.2 million or 5.6% compared to the prior year, primarily due to increases in unrestricted cash and investments, capital assets, net of depreciation, and the investment specific to a joint powers agency reserve. Deferred outflows of resources increased \$3.5 million primarily due to an increase in the accumulated fair value of hedging derivatives, offset by decreases in deferred outflows related to pensions and OPEB.

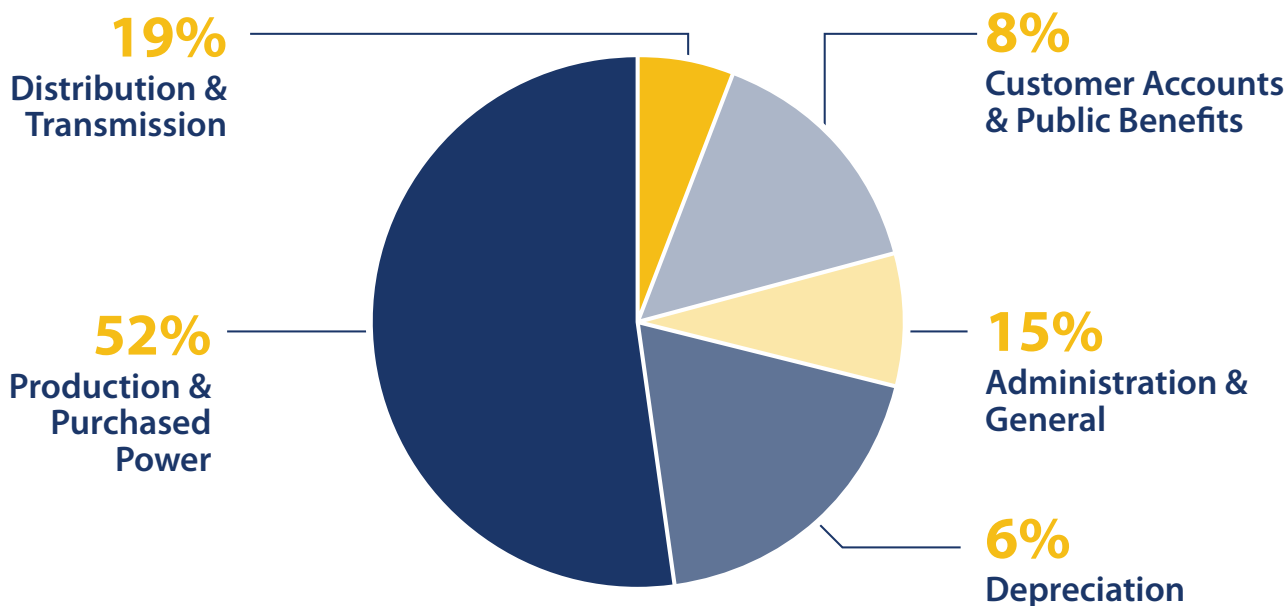
## 2019 compared to 2018 (continued)

Total liabilities as of June 30, 2019 decreased by \$0.8 million or 0.2% compared to the prior fiscal year. This was due to increases in the net pension and OPEB liability, derivative at fair value-liability, offset by decreases in unearned revenue, and outstanding debt. Deferred inflows of resources decreased by \$3.0 million related to OPEB and pensions.

The **Statement of Revenues, Expenses, and Changes in Net Position** for the Electric Fund is as follows:

<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>			
	<b>FY2020</b>	<b>FY2019</b>	<b>FY2018</b>
<b>OPERATING REVENUE</b>			
Sales Revenue	\$156,006.9	\$160,076.1	\$162,501.7
Wholesale Sales	2,259.2	-	-
Other Operating Revenue	5,238.4	7,613.3	5,735.1
<b>Total Operating Revenue</b>	<b>163,504.5</b>	<b>167,689.4</b>	<b>168,236.8</b>
<b>OPERATING EXPENSES</b>			
Production and Purchased Power	64,867.0	62,588.8	73,166.0
Transmission & Distribution	23,579.0	22,065.6	19,850.9
Customer Accounts, Administrative and General	29,262.2	25,906.0	24,270.5
Depreciation	7,892.8	22,881.8	22,645.3
<b>Total Operating Expenses</b>	<b>125,601.0</b>	<b>133,442.2</b>	<b>139,932.7</b>
<b>Operating Income</b>	<b>37,903.5</b>	<b>34,247.2</b>	<b>28,304.1</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Expense	(14,659.9)	(8,642.7)	(9,757.1)
Payment in Lieu of Taxes	(6,310.7)	(6,476.4)	(6,647.6)
Investments, Amortization & Loss from Sale of Property	5,620.1	8,770.5	(819.5)
<b>Total Non-operating Revenues (Expenses)</b>	<b>(15,350.5)</b>	<b>(6,348.6)</b>	<b>(17,224.2)</b>
<b>Income before Capital Contributions and Transfers</b>	<b>22,553.0</b>	<b>27,898.5</b>	<b>11,079.9</b>
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital Contributions	21,507.2	16,356.5	19,481.8
Transfers in/out from/to City	(691.0)	(644.0)	(1,418.5)
<b>Total Contributions and Transfers</b>	<b>20,816.2</b>	<b>15,712.5</b>	<b>18,063.3</b>
<b>Change in Net Position</b>	<b>43,369.2</b>	<b>43,611.0</b>	<b>29,143.2</b>
<b>Net Position, Beginning (restated)</b>	<b>395,365.7</b>	<b>351,754.6</b>	<b>322,611.4</b>
<b>Net Position, Ending</b>	<b>\$438,734.9</b>	<b>\$395,365.7</b>	<b>\$351,754.6</b>

## Operating Expenses



### 2020 compared to 2019

The Electric Fund's operating revenue was \$163.5 million, a decrease of \$4.2 million or 2.5% compared to the prior fiscal year. Sales revenue decreased by \$4.1 million or 2.5% primarily due to reduced customer usage. Of the approximate \$156.0 million total sales revenue, \$83.8 million was related to commercial customers and \$72.2 million to residential customers. Wholesale sales revenue totaled \$2.3 million in the current fiscal year. Other operating revenues decreased by \$2.4 million, primarily due to revenue from greenhouse gas auctions proceeds.

Total operating expenses were \$125.6 million, a decrease of \$7.8 million or 5.9% compared the prior fiscal year. Total production and purchased power expense was \$64.9 million, which represented 51.7% of operating expenses. Total distribution and transmission expense was \$23.6 million, which represented 18.8% of operating expense. Administrative and general expense amounted to \$19.3 million, an increase of \$1.3 million or 7.2% over the prior fiscal year mainly due to salaries and benefits. Customer Accounts and Public Benefits expense was \$10.0 million, which represented 8.0% of operating costs. Depreciation

expense was \$7.9 million, a decrease of \$15.0 million or 65.5% over the prior fiscal year.

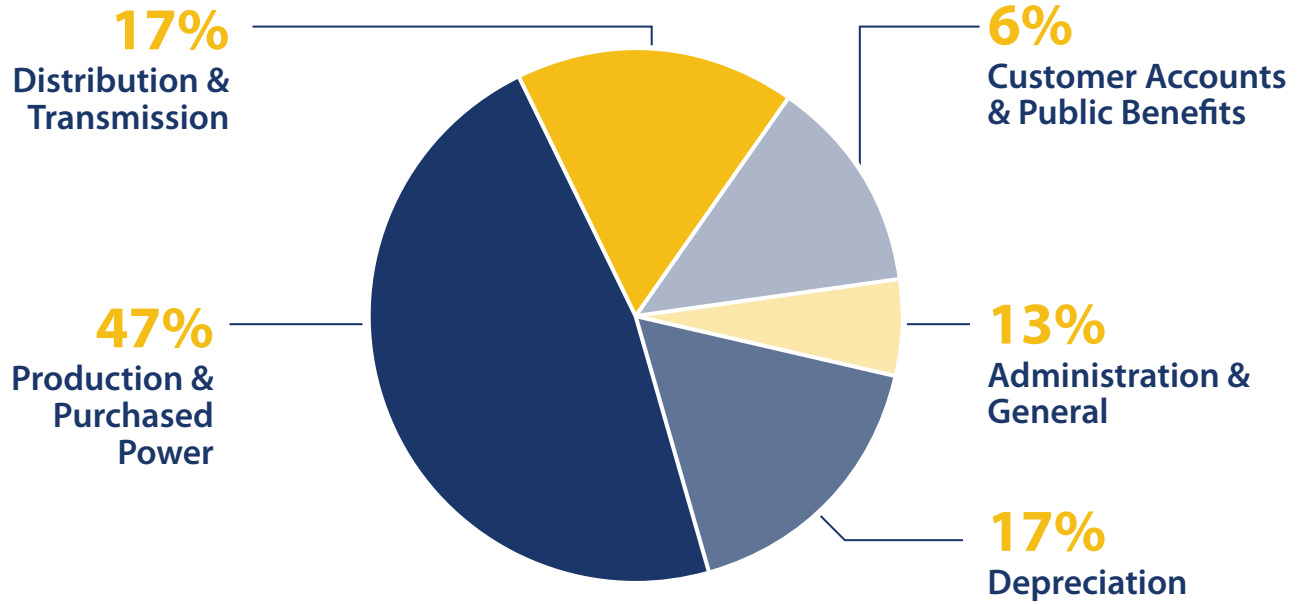
Consistent with the City Charter, the Utility may pay an in lieu franchise fee not to exceed 4% of expenses to the City General Fund as a Payment in Lieu of Taxes. This franchise fee transfer was \$6.3 million for FY2020, a decrease of \$0.2 million or 2.6% compared to the prior fiscal year.

Investment earnings, including the net change in fair value of investments, were \$5.6 million, a decrease of \$1.7 million due to \$1.8 million decrease in the fair value of pooled investments offset by a \$0.2 million increase in interest revenue. Interest expense increased by \$6.0 million. Additionally, there was \$0.2 million less loss from sale of property and \$1.7 million decrease in NCPA project reserves.

Total capital contributions received was \$21.5 million, an increase of \$5.1 million or 31.5%, primarily due to \$3.0 million increase in contribution from developers and \$2.1 million increase in contribution in aid of construction.

Transfers out of the Electric Fund to other City funds for general rehabilitation projects were \$0.7 million.

## Operating Expenses



### 2019 compared to 2018

The Electric Fund's operating revenue was \$167.7 million, a decrease of \$0.5 million or 0.3% compared to the prior fiscal year. Sales revenue decreased by \$2.4 million or 1.5% primarily due to reduced customer usage. Of the approximate \$160.1 million total sales revenue, \$89.3 million was related to commercial customers and \$69.4 million to residential customers. Other operating revenues increased by \$1.9 million, largely due to revenue from mutual aid reimbursements and greenhouse gas allowance auctions.

Total operating expenses were \$133.4 million, a decrease of \$6.5 million or 4.6% over the prior fiscal year, primarily due to lower purchased power costs. Total production and purchased power expense was \$62.6 million, which represented 47.0% of operating expenses. Administrative and general expense amounted to \$18.0 million, an increase of \$2.2 million or 13.8% over the prior fiscal year mainly due to salaries and benefits. Customer Accounts and Public Benefits expense was \$7.9 million, which represented 6.0% of operating costs. Depreciation expense was \$22.9 million, an increase of \$0.2 million or 1.0% over the prior fiscal year.

Consistent with the City Charter, the Utility may pay an in lieu franchise fee not to exceed 4% of expenses to the City General Fund as a Payment in Lieu of Taxes. This franchise fee transfer was \$6.5 million for FY2019, a decrease of \$0.2 million or 2.6% compared to the prior fiscal year.

Investment earnings, including the net change in fair value of investments, were \$9.0 million, an increase of \$9.6 million due to \$5.9 million increase in the fair value of pooled investments, \$1.1 million increase in interest revenue and \$2.6 million increase in NCPA project reserves.

Total capital contributions received was \$16.4 million, a decrease of \$3.1 million or 16.0%, primarily due to one-time transfers from other city funds from the prior fiscal year.

Transfers out of the Electric Fund to other City funds for general rehabilitation projects were \$0.6 million.

## Capital Assets

### 2020 compared to 2019

As of June 30, 2020 the Electric Fund's net utility plant and equipment, which includes investments in land, buildings, production and distribution facilities, and general items such as equipment and furniture, was \$460.7 million, an increase of \$31.5 million or 7.3% over the prior fiscal year.

### 2019 compared to 2018

As of June 30, 2019 the Electric Fund's net utility plant and equipment, which includes investments in land, buildings, production and distribution facilities, and general items such as equipment and furniture, was \$429.2 million, an increase of \$2.3 million or 0.6% over the prior fiscal year.

CAPITAL ASSETS			
	FY2020	FY2019	FY2018
Land	\$5,173.0	\$4,706.9	\$4,706.9
Buildings & Improvements	25,677.7	15,687.3	16,542.3
Equipment & Vehicles	20,234.5	18,310.2	18,397.7
Traffic Signals	72,081.1	71,660.4	52,593.7
Plant and Substations	81,483.5	81,215.8	77,826.7
Distribution	336,349.8	319,481.7	326,202.5
Generation	204,380.7	203,721.5	203,074.9
Construction in Progress	20,065.0	14,393.5	6,909.1
Less: Accumulated Depreciation	(304,712.1)	(299,955.6)	(279,367.3)
<b>Capital Assets, Net</b>	<b>\$460,733.2</b>	<b>\$429,221.7</b>	<b>\$426,886.5</b>

## Debt Administration

### 2020 compared to 2019

Total long-term debt, net of unamortized premium of \$8.9 million, was \$166.0 million at the end of FY2020. This represents a decrease of \$44.2 million or 21.0% compared to the prior fiscal year. The current long-term debt due within a year was \$7.8 million and non-current long-term debt was \$158.2 million. The debt is backed by the revenue of the Fund.

The Fund maintains a debt service coverage ratio that exceeds the current provisions in the bond indenture

document. This debt service coverage ratio is a measure of the adequacy of cash to pay debt service. The Fund must maintain debt coverage of 1.1 as required by the bond indenture, however the City has an internal policy for the Fund to maintain a debt coverage of 2.0. As of June 30, 2020, the Fund had debt coverage of 3.43.

Interest rates on outstanding debt range from 1.03% to 5.25%.

### 2019 compared to 2018

Total long-term debt, net of unamortized premium of \$9.7 million, was \$210.3 million at the end of FY2019. This represents a decrease of \$7.9 million or 3.6% compared to the prior fiscal year. The current long-term debt due within a year was \$7.5 million and non-current long-term debt was \$202.8 million. The debt is backed by the revenue of the Fund.

The Fund maintains a debt service coverage ratio that exceeds the current provisions in the bond indenture document. This debt service coverage ratio is a measure of the adequacy of cash to pay debt service. The Fund must maintain debt coverage of 1.1 as required by the bond indenture, however the City has an internal policy for the Fund to maintain a debt coverage of 2.0. As of June 30, 2019, the Fund had debt coverage of 4.15.

Interest rates on outstanding debt range from 1.03% to 5.25%.

LONG-TERM DEBT			
	FY2020	FY2019	FY2018
Certificates of Participation	\$54,005.0	\$91,237.5	\$93,050.0
Revenue Bonds	112,043.2	119,020.0	125,086.8
<b>Total Long-Term Debt</b>	<b>\$166,048.2</b>	<b>\$210,257.5</b>	<b>\$218,136.8</b>
Current Portion of Long-Term Debt	7,800.0	7,460.0	7,130.0

## **Economic Condition, Outlook and Activity**

The Electric Fund's residential and commercial customer count increased 1.5% over the prior fiscal year while total retail electric energy sales decreased 2.01%, to 1.1 million megawatt hours. Revenue was down correspondingly.

During the fiscal year, the Electric Fund was upgraded to an "AA" rating by Fitch Ratings, Standard and Poor's Global Ratings rating was "AA" and Moody's Investors Service rating was A1 stable.

The revenue to expense outlook for the next several years forecasts revenues meeting expenses. New development will continue to add residential and commercial customers to the service territory. Issues that may impact future rates include state and federal mandates related to renewable energy and environmental concerns as well as increasing distributed generation and energy efficiency programs throughout the service territory.

## **Requests for Information**

This financial report is designed to provide a general overview of the Electric Fund's finances. Questions concerning information provided in this report should be addressed to the Financial Administrator, Roseville Electric Utility, 2090 Hilltop Circle, Roseville, California 95747.

# CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND

## STATEMENTS OF NET POSITION JUNE 30, 2020 AND 2019

### ASSETS

CURRENT ASSETS	2020	2019
Cash and investments in City Treasury	\$160,395,454	\$190,378,181
Restricted cash and investments with fiscal agent	17,135,059	16,930,221
Accounts receivable, net of allowance for doubtful accounts	22,932,026	20,504,433
Accrued interest	736,994	1,059,797
Prepaid expenses	4,922,424	4,690,832
Inventories	12,650,432	11,720,060
<b>Total Current Assets</b>	<b>218,772,389</b>	<b>245,283,524</b>

### NON-CURRENT ASSETS

Capital asset, not being depreciated	25,237,987	19,100,441
Capital assets being depreciated	740,207,221	710,076,819
Less: accumulated depreciation	(304,712,062)	(299,955,620)
<b>Total Capital Assets</b>	<b>460,733,146</b>	<b>429,221,640</b>

### INVESTMENTS IN NCPA RESERVES

	5,175,920	5,218,609
<b>Total Non-Current Assets</b>	<b>465,909,066</b>	<b>434,440,249</b>
<b>Total Assets</b>	<b>684,681,455</b>	<b>679,723,773</b>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding	5,679,081	6,106,812
Accumulated decrease in fair value of hedging derivatives	13,691,174	16,139,162
Deferred outflows related to OPEB	3,656,000	1,195,000
Deferred outflows related to pensions	15,214,896	15,057,636
<b>Total Deferred Outflows of Resources</b>	<b>\$38,241,151</b>	<b>\$38,498,610</b>

See accompanying notes to the financial statements

# CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND

## STATEMENTS OF NET POSITION JUNE 30, 2020 AND 2019

### LIABILITIES

CURRENT LIABILITIES	2020	2019
Accounts payable and accrued payroll	\$8,872,843	\$7,824,150
Accrued liabilities	797,079	1,079,710
Due to other government agencies	18,035	-
Current portion of compensated absences	2,239,588	1,634,303
Current portion of long-term debt	7,800,000	7,460,000
Interest payable	2,085,580	2,219,752
Customer deposits	2,618,862	2,661,839
Unearned revenue	-	47,869
<b>Total Current Liabilities</b>	<b>24,431,987</b>	<b>22,927,623</b>

### LONG-TERM LIABILITIES

Certificates of participation and revenue bonds, due in more than one year	158,248,168	202,797,486
Compensated absences	2,502,644	2,452,123
Derivative at fair value - liability	13,691,174	16,139,162
Net OPEB liability	14,134,000	18,900,000
Net pension liability	63,291,847	58,193,004
<b>Total Long-term Liabilities</b>	<b>251,867,833</b>	<b>298,481,775</b>
<b>Total Liabilities</b>	<b>276,299,820</b>	<b>321,409,398</b>

### DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to OPEB	4,623,000	-
Deferred inflows related to pensions	3,264,848	1,447,263
<b>Total Deferred Inflows of Resources</b>	<b>7,887,848</b>	<b>1,447,263</b>

### NET POSITION

Net investment in capital assets	300,364,059	225,070,966
Restricted for the benefit of rate payers	19,164,405	19,719,400
Restricted for debt service	16,099,600	16,099,600
Unrestricted	103,106,874	134,475,756
<b>Total Net Position</b>	<b>\$438,734,938</b>	<b>\$395,365,722</b>

See accompanying notes to the financial statements



# CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND

## STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

OPERATING REVENUES	2020	2019
Residential sales	\$72,181,571	\$69,401,131
Commercial and industrial sales	83,787,314	89,345,695
Other sales	38,078	1,329,269
Wholesale sales	2,259,153	-
Other operating revenues	<b>5,238,423</b>	7,613,336
<b>Total Operating Revenues</b>	<b>163,504,539</b>	<b>167,689,431</b>
<b>OPERATING EXPENSES</b>		
Production and purchased power	64,867,012	62,588,794
Transmission	7,823,174	7,637,635
Distribution - operations	9,894,284	4,915,404
Distribution - maintenance	5,861,583	9,512,543
Customer accounts, service and informational	5,031,228	3,336,120
Public benefits and administrative and general	24,230,954	22,569,945
Depreciation	7,892,840	22,881,811
<b>Total Operating Expenses</b>	<b>125,601,075</b>	<b>133,442,252</b>
<b>Operating Income</b>	<b>37,903,464</b>	<b>34,247,179</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Payment in lieu of taxes (franchise transfer)	(6,310,737)	(6,476,371)
Decrease in value of certain NCPA projects and reserves	(42,689)	1,646,441
Investment income	5,696,468	7,355,328
Interest expense and fiscal charges	(14,659,807)	(8,642,738)
Loss from sale of property	(355,291)	(552,832)
Amortization of loss on refunding	321,588	321,588
<b>Total Non-operating Revenues (Expenses)</b>	<b>(15,350,468)</b>	<b>(6,348,584)</b>
<b>Income before Capital Contributions and Transfers</b>	<b>\$22,552,996</b>	<b>\$27,898,595</b>

See accompanying notes to the financial statements

# CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND

## STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (CONTINUED)

<b>CONTRIBUTIONS AND TRANSFERS:</b>	<b>2020</b>	<b>2019</b>
Capital contributions-connection/impact fees	\$1,380,941	\$1,277,446
Contributions in aid of construction	9,386,648	7,324,233
Capital contributions from developers and governmental activities	10,739,635	7,754,796
Transfer in - contributions from the City	-	90,383
Transfers out to the City	(691,004)	(734,343)
<b>Total Contributions and Transfers</b>	<b>20,816,220</b>	<b>15,712,515</b>
<b>Change in net position</b>	<b>43,369,216</b>	<b>43,611,110</b>
<b>Net position, beginning as restated</b>	<b>395,365,722</b>	<b>351,754,612</b>
<b>Net position, ending</b>	<b>\$438,734,938</b>	<b>\$395,365,722</b>

See accompanying notes to the financial statements

# CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED IN JUNE 30, 2020 AND 2019

CASH FLOW FROM OPERATING ACTIVITIES	2020	2019
Receipts from customers	\$155,013,528	\$ 156,581,038
Payments to suppliers	(77,874,051)	(84,071,432)
Payments to employees	(34,548,396)	(26,519,948)
Other receipts	5,119,891	9,136,248
<b>Net cash provided by operating activities</b>	<b>\$47,710,972</b>	<b>\$55,125,906</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Franchise Transfer	\$(6,310,737)	\$(6,476,371)
Transfers in	-	90,383
Transfers (out)	(691,004)	(734,343)
<b>Net cash used for non capital financing activities</b>	<b>\$(7,001,741)</b>	<b>\$(7,120,331)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions	\$9,386,648	\$7,324,233
Acquisitions and construction of capital assets, net	(29,108,611)	(17,325,390)
Proceeds from sale of capital assets	88,608	59,698
Change in restricted assets	(204,838)	(384,175)
Principal payments on capital debt	(43,459,998)	(7,879,319)
Interest paid on capital debt	(14,793,980)	(8,756,549)
Connection fees received	1,380,941	1,277,446
<b>Net cash used for financing activities</b>	<b>\$(76,711,230)</b>	<b>\$(25,684,056)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends (paid) received	\$6,019,272	\$7,146,992
<b>Net increase in cash and cash equivalents</b>	<b>(29,982,727)</b>	<b>29,468,511</b>
<b>Cash and investments at beginning of period</b>	<b>190,378,181</b>	<b>160,909,670</b>
<b>Cash and investments at end of period</b>	<b>\$160,395,454</b>	<b>\$190,378,181</b>

See accompanying notes to the financial statements

# CITY OF ROSEVILLE ELECTRIC ENTERPRISE FUND

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED IN JUNE 30, 2020 AND 2019

### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2020	2019
Operating income	\$37,903,464	\$34,247,179
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	7,892,840	22,881,811
OPEB expense	(2,604,000)	(200,000)
Pension expense	6,759,168	4,173,988
Change in assets and liabilities:		
Receivables, net	(2,523,951)	435,956
Inventories	(930,372)	(425,356)
Prepays	(231,592)	(2,130,626)
Accounts and other payable	1,493,284	(710,270)
Unearned revenue	(47,869)	(3,146,776)
<b>Net cash provided by (used for) operating activities</b>	<b>\$47,710,972</b>	<b>\$55,125,906</b>

### SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Contribution of capital assets from developers	\$10,739,635	\$7,119,408
Capital assets transferred from governmental activities	-	635,388
Amortization of bond premium	749,317	749,319
Amortization of deferred amount on refunding	\$(427,730)	\$(427,730)

See accompanying notes to the financial statements

# NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## A. General

The Electric Fund (Fund) is an enterprise fund of the City of Roseville (City) that owns and operates the electric systems and provides these services to the businesses and residents of the City. The Electric Fund is under the policy control of the City Council. The accompanying financial statements only reflect the activity of the Electric Fund as it does not have any component units. The Electric Fund is an integral part of the City and its financial statements are included in the basic financial statements of the City. These financial statements do not purport to, and do not represent the financial position, changes in financial position, and where applicable, cash flows of the City.

## B. Basis of Presentation

The Financial Statements of the Electric Fund are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The accounting records of the Electric Fund are also substantially in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The Electric 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 non-exchange transactions or ancillary activities.

## C. Basis of Accounting

The Electric Fund is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of the private sector in which the

purpose is to conserve and add to economic resources. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The 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.

The Electric Fund may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

## D. Cash and Cash Equivalents

Cash and investments with original maturities of three months or less are treated as cash and cash equivalents for purpose of preparing the statements of cash flows. Also, the Electric Fund's portion of the City's overall cash and investment pool is treated as cash and equivalents since these amounts are in substance demand deposits. Further information related to the City's cash and investment pool can be found in the City's Comprehensive Annual Financial Report.

## E. Joint Powers Authorities

The Electric Fund records its equity in the general operating reserve of the Northern California Power Agency (NCPA), and its net equity in those projects in which it participates, as discussed in Note 7. The Electric Fund's share of individual project obligations has been netted against its share of the related project assets, as reported by NCPA, because the Electric Fund does not actively manage these projects and does not expect to become directly liable for any of the obligations of these projects.

# NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## E. Joint Powers Authorities (continued)

Amounts paid to the Transmission Agency of Northern California (TANC) are expensed currently because the Electric Fund's estimated equity, if any, in TANC is not material. Amounts paid to the California Joint Powers Risk Management and the Local Agency Workers Compensation Excess Joint Powers Authority are charged currently to insurance expense, as discussed in Note 8.

## F. Prepaids

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the financial statements.

## G. Inventories

Inventories are valued at cost, using the weighted-average method and consist primarily of merchandise held for internal consumption.

## H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding reported in the statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The accumulated decrease in the fair value of hedging derivatives is equal to the fair value of the associated derivative instrument liability so long as the instrument is deemed effective. The deferred outflows related to pensions are described in Note 5. The deferred outflows related to other postemployment benefits (OPEB) are described in Note 6.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition

of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows related to pensions are described in Note 5. The deferred inflows related to OPEB are described in Note 6.

## I. Deposits from Customers

Deposits from Customers may be required by the Electric Fund from commercial and residential customers when they establish their account as specified in section 14.04.030 of the City of Roseville Municipal Code. Significant customer deposits may be held in the form of certificates of deposit in the Electric Fund's name with the interest paid to the customer.

## J. Compensated Absences

Compensated Absences including accumulated unpaid vacation, sick pay and other employee benefits are accounted for as expenses in the year earned.

Changes in compensated absences payable consist of the following:

	2020	2019
Beginning Balance	\$4,086,426	\$3,740,141
Additions	2,040,863	1,980,588
Payments	(1,385,057)	(1,634,303)
<b>Ending Balance</b>	<b>4,742,232</b>	<b>4,086,426</b>
<b>Current Portion</b>	<b>\$2,239,588</b>	<b>\$1,634,303</b>

# NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## **K. Revenue Recognition**

Revenues are recognized based on cycle billings rendered to customers. All residential and commercial utility customers are billed once per month. There are twenty-three billing cycles per month which include all types of customers, based on their location within the City. Revenues for services provided but not billed at the end of a fiscal year are accrued.

Contributions of cash or assets to proprietary funds from state and federal agencies, developers and others are recorded as revenue when earned.

## **L. Classification of Revenues**

Operating revenues consist mainly of electric sales. Operating revenues are used to finance the cost of operations, including the cost of delivering and providing services, maintenance and recurring capital replacement. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **M. Operating Expense**

Operating expenses include expenses reflected by the City as related to rent payments, meter reading, billing, customer service, and other indirect cost transfers.

## **N. Allocation and Capitalization of Operating Overhead Expenses and General and Administrative Costs**

The allocation of operating overhead expenses and general and administrative costs to capital projects, as well as FERC distribution and maintenance operating expenses, was based on a comprehensive analysis and study prepared by the City's staff. This analysis and allocation process is conducted annually in conformance with the generally accepted electric utility accounting practices within the Uniform System of Accounts (USOA) prescribed by FERC and utility accounting guides published by the American Public Power Association (APPA) regarding job costing and utility accounting.

The process of allocating and capitalizing operating overhead expenses and general and administrative costs was implemented to allow the Electric Fund Financial Statements to reflect a chart of accounts consistent with industry standards, provide more accurate operation and maintenance costs, and track the total actual costs of electric capital assets.

## **O. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

## **P. Fair Value Measurements**

The Electric Fund categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

## **Q. Pensions**

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

# NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## R. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan (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 Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

## S. Capital Asset Policies

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

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 Electric Fund has assigned the useful lives and capitalization thresholds listed below to capital assets:

	USEFUL LIVES	CAPITALIZATION THRESHOLDS
Buildings	40 years	\$20,000
Improvements	20-75 years	no threshold
Equipment	6 - 20 years	\$5,000
Plants and Substations	40 years	\$5,000
Distribution System	15 - 60 years	no threshold
Electric Generation	15 -30 years	\$5,000
Traffic signals	20 years	no threshold
Landscaping	12 years	\$20,000

Major outlays for capital assets and improvements are capitalized as projects are constructed.

## T. New Accounting Pronouncements

### New Pronouncements

**GASB Statement No. 95** – In May 2020, the GASB issued Statement No. 95, Postponement of the Effective dates of Certain Authoritative Guidance. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately as they delayed the effective dates of several GASB statements. The effective dates listed in the Future Governmental Accounting Standards Board (GASB) Pronouncements section have been updated to reflect the postponed effective dates.



# NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Effective in Future Fiscal Years

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The City has not determined the effect on the Electric Fund's financial statements.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect on the Electric Fund's financial statements.

**GASB Statement No. 89** – In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2020. The City has not determined the effect on the Electric Fund's financial statements.

**GASB Statement No. 90** – In September 2018, the GASB issued Statement No. 90, Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain component units. The

Statement is effective for reporting periods beginning after December 15, 2019. The City has not determined the effect on the Electric Fund's financial statements.

**GASB Statement No. 91** – In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The City has not determined the effect on the Electric Fund's financial statements.

**GASB Statement No. 92** – In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect on the Electric Fund's financial statements.

**GASB Statement No. 93** – In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect on the Electric Fund's financial statements.

# NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## T. New Accounting Pronouncements (Continued)

**GASB Statement No. 94** – In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. The City has not determined the effect on the Electric Fund's financial statements.

**GASB Statement No. 96** – In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The City has not determined the effect on the Electric Fund's financial statements.

**GASB Statement No. 97** – In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of

a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect on the Electric Fund's financial statements.

## U. Net Position

Net position is the excess of all the Electric Fund's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net position is classified into the captions below:

*Net Investment in Capital Assets* describes the portion of net position which is represented by the current net book value of the Electric Fund's capital assets less accumulated depreciation and 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 enabling legislation, or other restrictions which the Electric Fund cannot unilaterally alter.

*Unrestricted* describes the portion of net position which is not restricted to use.

It is the City's policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## NOTE 2—CAPITAL ASSETS

Capital assets at June 30, 2020 are comprised of:

	BALANCE AT JUNE 30, 2019	ADJUSTMENTS	ADDITIONS	RETIREMENTS	TRANSFERS	BALANCE AT JUNE 30, 2020
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED:</b>						
Land	\$4,706,913	\$-	\$466,098	\$-	\$-	\$5,173,011
Construction in progress	14,393,528	-	17,342,530	-	(11,671,082)	20,064,976
<b>Total Capital Assets Not Being Depreciated</b>	<b>19,100,441</b>	<b>-</b>	<b>17,808,628</b>	<b>-</b>	<b>(11,671,082)</b>	<b>25,237,987</b>
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>						
Buildings	\$13,520,157		\$10,034,407	\$(44,012)	\$(22,170)	\$23,488,382
Improvements	1,617,147		-	-	22,170	1,639,317
Vehicles and equipment	18,310,183		200,983	(1,281,910)	3,005,198	20,234,454
Landscaping	550,000		-	-	-	550,000
Traffic signals	71,660,391		7,160	(1,592,829)	2,006,339	72,081,061
Plant and substations	81,215,756		-	(72,297)	340,001	81,483,460
Distribution	319,481,654		11,682,203	(474,385)	5,660,346	336,349,818
Generation	203,721,531		-	-	659,198	204,380,729
<b>Total Capital Assets Being Depreciated</b>	<b>710,076,819</b>		<b>21,924,753</b>	<b>(3,465,433)</b>	<b>11,671,082</b>	<b>740,207,221</b>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>						
Buildings	(5,881,506)	9,670	(462,469)	17,270	11,956	(6,305,079)
Improvements	(557,548)	(443,756)	(76,340)	-	(11,956)	(1,089,600)
Vehicles and equipment	(9,268,006)	(761,788)	(2,199,540)	1,262,116	549	(10,966,669)
Landscaping	(550,000)	(4,459,083)	-	-	-	(550,000)
Traffic signals	(39,809,139)	(1,795,433)	(2,582,617)	1,427,129	-	(45,423,710)
Plant substations	(28,835,395)	(12,924,006)	(2,011,045)	52,314	-	(32,589,559)
Distribution	(93,290,853)	34,594,584	(6,903,617)	262,706	-	(112,855,770)
Generation	(121,763,173)	14,220,188	(7,762,537)	-	(549)	(94,931,675)
<b>Total Accumulated Depreciation</b>	<b>(299,955,620)</b>	<b>14,220,188</b>	<b>(21,998,165)</b>	<b>3,021,535</b>	<b>-</b>	<b>(304,712,062)</b>
<b>Net Capital Assets Being Depreciated</b>	<b>410,121,199</b>	<b>14,220,188</b>	<b>(73,412)</b>	<b>(443,898)</b>	<b>11,671,082</b>	<b>435,495,159</b>
<b>Capital Assets, Net</b>	<b>\$429,221,640</b>	<b>\$2,947,694</b>	<b>\$17,735,216</b>	<b>\$(443,898)</b>	<b>\$-</b>	<b>\$460,733,146</b>

## NOTE 2—CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2019 is as follows:

	BALANCE AT JUNE 30, 2018	ADDITIONS	RETIREMENTS	TRANSFERS	BALANCE AT JUNE 30, 2019
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED:</b>					
Land	\$4,706,913	\$-	\$-	\$-	\$4,706,913
Construction in progress	6,909,098	16,881,525	-	(9,397,095)	14,393,528
<b>Total Capital Assets Not Being Depreciated</b>	<b>11,616,011</b>	<b>16,881,525</b>	<b>-</b>	<b>(9,397,095)</b>	<b>19,100,441</b>
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>					
Buildings	13,463,751	-	-	56,406	13,520,157
Improvements	2,528,574	-	(1,060,646)	149,219	1,617,147
Vehicles and equipment	18,397,727	340,819	(888,720)	460,357	18,310,183
Landscaping	550,000	-	-	-	550,000
Traffic signals	52,593,732	684,318	(8,130)	18,390,471	71,660,391
Plant and substations	77,826,686	-	(259,695)	3,648,765	81,215,756
Distribution	326,202,456	7,922,843	(718,208)	(13,925,437)	319,481,654
Generation	203,074,865	-	-	646,666	203,721,531
<b>Total Capital Assets Being Depreciated</b>	<b>694,637,791</b>	<b>8,947,980</b>	<b>(2,935,399)</b>	<b>9,426,447</b>	<b>710,076,819</b>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>					
Buildings	(5,510,734)	(339,856)	-	(30,916)	(5,881,506)
Improvements	(1,120,115)	(69,031)	689,420	(57,822)	(557,548)
Vehicles and equipment	(8,758,774)	(1,638,903)	888,720	240,951	(9,268,006)
Landscaping	(550,000)	-	-	-	(550,000)
Traffic signals	(29,704,646)	(2,461,736)	8,130	(7,650,887)	(39,809,139)
Plant substations	(26,763,011)	(2,072,932)	94,771	(94,223)	(28,835,395)
Distribution	(96,070,866)	(5,491,363)	641,828	7,629,548	(93,290,853)
Generation	(110,889,180)	(10,807,990)	-	(66,003)	(121,763,173)
<b>Total Accumulated Depreciation</b>	<b>(279,367,326)</b>	<b>(22,881,811)</b>	<b>2,322,869</b>	<b>(29,352)</b>	<b>(299,955,620)</b>
<b>Net Capital Assets Being Depreciated</b>	<b>415,270,465</b>	<b>(13,933,831)</b>	<b>(612,530)</b>	<b>9,397,095</b>	<b>410,121,199</b>
<b>Capital Assets, Net</b>	<b>\$426,886,476</b>	<b>\$2,947,694</b>	<b>\$(612,530)</b>	<b>\$-</b>	<b>\$429,221,640</b>

Depreciation and amortization on capital assets and intangibles included in the statement of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019 was \$21,998,165 and \$22,881,811 respectively.

During the fiscal year, the City updated its system to standardize the number of years of depreciation by asset class. The City updated accumulated depreciation to reflect the standardized years of certain assets.

## NOTE 3—CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except certain specific investments within funds and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. Individual investments are generally made by the City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

The City's investments of the Electric Fund 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. The City's investment pool is not registered with the Security and Exchange Commission and is not rated.

### A. Classification

Cash and investments of the Electric Fund 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 other agreements.

	2020	2019
Cash and investments in City Treasury	\$160,395,454	\$190,378,181
Restricted cash and investments with fiscal agent	17,135,059	16,930,221
<b>Total Cash and Investments</b>	<b>\$177,530,513</b>	<b>\$207,308,402</b>

Cash and investments with original maturities of three months or less are treated as cash and equivalents for purpose of preparing the statement of cash flows. Also, the Electric Fund's portion of the City's overall cash and investment pool is treated as cash and equivalents since these amounts are in substance demand deposits.

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

	2020	2019
Cash on hand	\$600	\$ 600
City of Roseville pooled cash and investments	160,394,854	190,377,581
Investments	17,135,059	16,930,221
<b>Total Cash and Investments</b>	<b>\$177,530,513</b>	<b>\$207,308,402</b>

# NOTE 3—CASH AND INVESTMENTS (CONTINUED)

## B. Investments Authorized by the California Government Code and the City’s Investment Policy

The City’s Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City’s Investment Policy where it is more restrictive:

AUTHORIZED INVESTMENT TYPE	MAXIMUM MATURITY	MINIMUM CREDIT QUALITY	MAXIMUM PERCENTAGE ALLOWED	MAXIMUM INVESTMENT IN ONE ISSUER
U.S. Treasury Obligations (a)	5 Years	None	None	None
U.S. Agency Securities (a)	5 Years	None	None	None
Forward Purchase Agreement	N/A	A	None	None
Local Agency Bonds	5 Years	None	None	None
Repurchase Agreements	1 Year	None	None	None
Bankers' Acceptances	180 days	None	40%	30%
Commercial Paper	270 days	A-1	25%	10% (b)
Medium-Term Notes (Corporate Notes)	5 Years	A	30%	None
Collateralized Time Deposits	5 Years	None	30%	None
Negotiable Certificates of Deposit	5 Years	A	30%	None
Local Agency Investment Fund	N/A	None	None	LAIF Limit
Insured Saving Accounts	N/A	None	None	None
Money Market Mutual Funds	N/A	None	20%	10%
California Asset Management Pool	N/A	None	None	None
Interest Rate Swaps (c)	N/A	None	None	None
Supranationals	5 Years	AA	30%	None
Mortgage Pass-Through Securities	5 Years	AA	20%	None

- (a) In specified fund accounts where liquidity is not the primary investment objective, the maximum maturity can be up to ten years with granted express authority by the City Council. Such investments cannot be made less than three months following the approval of extended investment terms. All longer-term investments must be Federal Treasury or Agency securities.
- (b) Eligible Commercial Paper may not represent more than 10 percent of the outstanding paper of an issuing corporation.
- (c) Interest rate swaps may only be used in conjunction with enterprise fund debt or investments.

# NOTE 3—CASH AND INVESTMENTS (CONTINUED)

## C. 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
U.S. Treasury Obligation	N/A	None
U.S. Agency Securities	N/A	None
Certificates of Deposit	30 days	None to A-1
Time Deposits	30 days	None to A-1
Bankers' Acceptances	270 days	None to A-1
Money Market Funds	N/A	Aam-G
Pre-refunded Municipal Obligations	N/A	AAA
Repurchase Agreements	30 days	A
Investments Agreements	N/A	A+ to AA
California Asset Management Program (CAMP)	N/A	None
Local Agency Investment Fund (LAIF)	N/A	None
Guaranteed Investment Contract	N/A	None

## D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City also manages its interest rate risk by holding most investments to maturity.

Information about the sensitivity of the fair values of the investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity or earliest call date, as of June 30, 2020:

JUNE 30, 2020	REMAINING MATURITY (IN MONTHS):		TOTAL
	12 MONTHS OR LESS	MORE THAN 60 MONTHS	
Federal Agency Securities	\$160,394,854	\$-	\$160,394,854
Money Market Mutual Funds	14,984,322	-	14,984,322
Guaranteed Investment Contract (GIC)	-	2,150,737	2,150,737
<b>Total Investments</b>	<b>\$175,379,176</b>	<b>\$2,150,737</b>	<b>\$177,529,913</b>

# NOTE 3—CASH AND INVESTMENTS (CONTINUED)

## D. Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity or earliest call date, as of June 30, 2019:

JUNE 30, 2019	REMAINING MATURITY (IN MONTHS):			TOTAL
	12 MONTHS OR LESS	13 TO 24 MONTHS	MORE THAN 60 MONTHS	
City of Roseville investment pool	\$190,377,581	\$-	\$-	\$190,377,581
Federal Agency Securities	-	3,231,615	-	3,231,615
Money Market Mutual Funds	11,547,869	-	-	11,547,869
Guaranteed Investment Contract (GIC)	-	-	2,150,737	2,150,737
<b>Total Investments</b>	<b>\$201,925,450</b>	<b>\$3,231,615</b>	<b>\$ 2,150,737</b>	<b>\$207,307,802</b>

## E. 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, 2020 and 2019 for each investment type as provided by Standard and Poor's investment rating system:

JUNE 30, 2020	TOTAL
<b>NOT RATED:</b>	
City of Roseville investment pool	\$160,394,854
Money Market Mutual Funds	14,984,322
Guaranteed Investment Contracts	2,150,737
<b>Subtotal</b>	<b>177,529,913</b>
<b>Total Investments</b>	<b>\$177,529,913</b>

JUNE 30, 2019	AA+	TOTAL
<b>INVESTMENTS:</b>		
Federal Agency Securities	\$3,231,615	\$3,231,615
<b>Total</b>	<b>\$3,231,615</b>	<b>3,231,615</b>
<b>NOT RATED:</b>		
City of Roseville investment pool		190,377,581
Money Market Mutual Funds		11,547,869
Guaranteed Investment Contracts		2,150,737
<b>Subtotal</b>		<b>204,076,187</b>
<b>Total Investments</b>		<b>\$207,307,802</b>



# NOTE 3—CASH AND INVESTMENTS (CONTINUED)

## F. Fair Value Measurements

The Electric Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is used on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable input; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Electric Fund has the following recurring fair value measurements as of June 30, 2020 and 2019:

INVESTMENTS AT FAIR VALUE	BALANCE AT JUNE 30, 2020	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)
Money Market Mutual Funds	\$14,984,322	\$14,984,322
<b>INVESTMENTS NOT SUBJECT TO THE FAIR VALUE HEIRARCHY</b>		
City of Roseville investment pool	160,394,854	11,547,869
<b>INVESTMENTS MEASURED AT AMORTIZED COST</b>		
Guaranteed Investment Contract (GIC)	2,150,737	
<b>Total Investments</b>	<b>\$177,529,913</b>	

INVESTMENTS AT FAIR VALUE	BALANCE AT JUNE 30, 2019	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)
Money Market Mutual Funds	\$11,547,869	\$11,547,869
Federal Agency Securities	3,231,615	3,231,615
<b>Total Investments at Fair Value</b>	<b>14,779,484</b>	<b>\$14,779,484</b>
<b>INVESTMENTS NOT SUBJECT TO THE FAIR VALUE HEIRARCHY</b>		
City of Roseville investment pool	190,377,581	
<b>INVESTMENTS MEASURED AT AMORTIZED COST</b>		
Guaranteed Investment Contract (GIC)	2,150,737	
<b>Total Investments</b>	<b>\$207,307,802</b>	11,547,869

# NOTE 4—LONG-TERM DEBT

## A. Composition and Changes

The Electric Fund generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The Electric Fund's debt issues and transactions are summarized below and discussed in detail thereafter.

Long-term debt activity for the year ended June 30, 2020, is as follow:

	ORIGINAL ISSUE AMOUNT	BALANCE AT JUNE 30, 2019	ADDITIONS	RETIREMENTS	BALANCE AT JUNE 30, 2020	CURRENT PORTION
<b>DIRECT PLACEMENT DEBT:</b>						
Certificates of Participation:						
2012 Electric System Revenue						
variable rate, due 2/1/35	\$90,000,000	\$90,000,000	\$-	\$(36,000,000)	\$54,000,000	\$-
Direct placement debt total	90,000,000	90,000,000	-	(36,000,000)	54,000,000	-
<b>CERTIFICATES OF PARTICIPATION:</b>						
2004 Electric System Revenue,						
3.00%-5.25%, due 2/1/34	39,940,000	5,000	-	-	5,000	-
2009 Electric System Revenue Refunding						
2.00%-5.25%, due 2/1/20	27,010,000	1,215,000	-	(1,215,000)	-	-
Add: bond premium	396,611	17,478	-	(17,478)	-	-
<b>Total Certificates of Participation</b>	<b>66,618,357</b>	<b>1,237,478</b>	<b>-</b>	<b>(1,232,478)</b>	<b>5,000</b>	<b>-</b>
<b>REVENUE BONDS:</b>						
2010 Electric System Revenue Refunding						
2.00%-5.00%, due 2/1/20	55,845,000	545,000	-	(545,000)	-	-
Add: bond premium	2,764,207	15,232	-	(15,232)	-	-
2013 Electric System Revenue Refunding						
2.00%-5.00%, due 2/1/29	48,780,000	30,195,000	-	(4,920,000)	25,275,000	5,165,000
Add: bond premium	5,899,513	3,687,194	-	(368,720)	3,318,474	-
2014 Refunding Electric System Revenue Bonds						
5%, due 2/1/34	16,485,000	16,485,000	-	-	16,485,000	-
Add: bond premium	2,129,224	1,596,919	-	(106,461)	1,490,457	-
2017A Electric System Revenue Refunding						
3.0%-5.00%, due 2/1/37	56,210,000	56,210,000	-	-	56,210,000	-
Add: bond premium	5,069,937	4,345,663	-	(241,426)	4,104,237	-
2017B Taxable Electric System Revenue Refunding						
1.03%-2.41%, due 2/1/22	6,265,000	5,940,000	-	(780,000)	5,160,000	2,635,000
<b>Total Revenue Bonds</b>	<b>199,447,881</b>	<b>119,020,008</b>	<b>-</b>	<b>(6,976,839)</b>	<b>112,043,168</b>	<b>7,800,000</b>
<b>Total Certificates of Participation &amp; Revenue Debt</b>	<b>266,066,238</b>	<b>120,257,486</b>	<b>-</b>	<b>(8,209,317)</b>	<b>112,048,168</b>	<b>7,800,000</b>
<b>Total</b>	<b>\$356,066,238</b>	<b>\$210,257,486</b>	<b>-</b>	<b>\$(44,209,317)</b>	<b>\$166,048,168</b>	<b>\$7,800,000</b>

## NOTE 4—LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ended June 30, 2019, is as follow:

	ORIGINAL ISSUE AMOUNT	BALANCE AT JUNE 30, 2018	ADDITIONS	RETIREMENTS	BALANCE AT JUNE 30, 2019	CURRENT PORTION
<b>DIRECT PLACEMENT DEBT:</b>						
Certificates of Participation:						
2012 Electric System Revenue						
variable rate, due 2/1/35	\$90,000,000	\$90,000,000	\$-	\$-	\$90,000,000	\$-
Direct placement debt total	90,000,000	90,000,000	-	-	90,000,000	-
<b>CERTIFICATES OF PARTICIPATION:</b>						
2004 Electric System Revenue,						
3.00%-5.25%, due 2/1/34	39,940,000	5,000	-	-	5,000	-
2009 Electric System Revenue Refunding						
2.00%-5.25%, due 2/1/20	27,010,000	3,010,000	-	(1,795,000)	1,215,000	1,215,000
Add: bond premium	396,611	34,958	-	(17,480)	17,478	-
<b>Total Certificates of Participation</b>	<b>66,618,357</b>	<b>3,049,958</b>	<b>-</b>	<b>(1,812,480)</b>	<b>1,237,478</b>	<b>1,215,000</b>
<b>REVENUE BONDS:</b>						
2010 Electric System Revenue Refunding						
2.00%-5.00%, due 2/1/20	55,845,000	1,050,000	-	(505,000)	545,000	545,000
Add: bond premium	2,764,207	30,465	-	(15,233)	15,232	-
2013 Electric System Revenue Refunding						
2.00%-5.00%, due 2/1/29	48,780,000	34,890,000	-	(4,695,000)	30,195,000	4,920,000
Add: bond premium	5,899,513	4,055,913	-	(368,719)	3,687,194	-
2014 Refunding Electric System Revenue Bonds						
5%, due 2/1/34	16,485,000	16,485,000	-	-	16,485,000	-
Add: bond premium	2,129,224	1,703,382	-	(106,463)	1,596,919	-
2017A Electric System Revenue Refunding						
3.0%-5.00%, due 2/1/37	56,210,000	56,210,000	-	-	56,210,000	-
Add: bond premium	5,069,937	4,587,087	-	(241,424)	4,345,663	-
2017B Taxable Electric System Revenue Refunding						
1.03%-2.41%, due 2/1/22	6,265,000	6,075,000	-	(135,000)	5,940,000	780,000
<b>Total Revenue Bonds</b>	<b>199,447,881</b>	<b>125,086,847</b>	<b>-</b>	<b>(6,066,839)</b>	<b>119,020,008</b>	<b>6,245,000</b>
<b>Total Certificates of Participation &amp; Revenue Debt</b>	<b>266,066,238</b>	<b>128,136,805</b>	<b>-</b>	<b>(7,879,319)</b>	<b>120,257,486</b>	<b>7,460,000</b>
<b>Total</b>	<b>\$356,066,238</b>	<b>\$218,136,805</b>	<b>-</b>	<b>\$(7,879,319)</b>	<b>\$210,257,486</b>	<b>\$7,460,000</b>

# NOTE 4—LONG-TERM DEBT (CONTINUED)

## B. Direct Placement

### 2012 Electric System Revenue Refunding Certificates of Participation

On November 7, 2012 the City entered into a direct placement agreement with U.S. Bank for the purchase of the 2012 bonds. The COP's were issued to refund and retire the outstanding balance of the 2008A Electric System Revenue COPs. As of June 30, 2020, the City's outstanding debt from direct borrowing of \$54,000,000 are subject to special redemption prior to their respective stated date of maturity by the City upon written notice. There is no provision for early redemption by U.S. Bank (Purchaser).

The COPs are secured by a pledge of the net revenue of the Electric Department. The revenue may not be used for any other purpose while any of the bonds remain outstanding.

The continuing covenant agreement for the bonds includes a provision that in an event of default, the repayment of the outstanding principal plus any accrued interest becomes immediately due. The City is responsible for cost increases caused by the adoption of a law or rule applicable to the bonds, changes in the taxes or tax basis of the Purchaser or Credit Protection Provider.

The terms of this agreement were renewed on April 20, 2016, and will expire on November 1, 2019. The City originally entered into a 27-year interest rate swap agreement for the entire amount of the 2008A COPs, and the interest rate swap agreement remains outstanding after the refunding, but notional amount of the swap is based on the notional amount of the 2008A COPs. The combination of the variable rate COPs and a floating rate swap creates synthetic fixed-rate debt for the City. The synthetic fixed rate for the COPs was 4.191 percent for the year ended June 30, 2020. The COPs are subject to mandatory prepayment annually beginning February 1, 2023 through 2035. The balance outstanding as of June 30, 2020 is \$54,000,000.

On November 1, 2019, the 2012 Electric COPs were paid down by \$36,000,000 leaving a balance of \$54,000,000. In addition, the Bank of America Merrill Lynch swap was terminated as of this date. As a result, the City paid

\$7,176,500 to terminate the interest rate swap agreement. The US Bank direct placement was renewed with new interest rate terms of 80% of one-month LIBOR plus 60 basis points with direct placement expiring May 1, 2022.

## C. Certificates of Participation

### 2004 Electric System Revenue Certificates of Participation

On July 1, 2004, the City issued \$39,940,000 of Certificates of Participation (COPs) to finance capital improvements to the City's Electric System. The COPs are repayable from net revenue of the Electric Utility System. The COPs bear interest at 3.00 percent - 5.25 percent and are due semi-annually on February 1 and August 1 of each year beginning February 1, 2005. Principal payments are due annually on February 1 through February 2034. The COPs were partially refunded by the 2013 Electric System Revenue Refunding Bonds as discussed in Note 4D below. In August 2014, the 2004 Electric System Revenue COP was partially refunded by the 2014 Electric System Revenue Refunding Bonds as discussed in note 4G below, leaving partially a par amount of \$5,000.

### 2009 Electric System Revenue Refunding Certificates of Participation

On November 24, 2009, the City issued COPs in the original principal amount of \$27,010,000. The COPs were issued to refinance the remaining outstanding balance of the 2002 Electric System Revenue Certificates of Participation. The COPs bear interest at 2.00 percent - 5.25 percent and are due semi-annually on February 1 and August 1 of each year. In February 2017, the 2009 Electric System Revenue Refunding Certificates of Participation were partially refunded by the 2017 A and 2017 B Electric System Revenue Bonds as discussed in Note 4D. Principal payments are due annually through fiscal year 2020. The bonds were paid off during the fiscal year.

# NOTE 4—LONG-TERM DEBT (CONTINUED)

## D. Revenue Bonds

### 2010 Electric System Revenue Refunding Bonds

On October 21, 2010, the City issued Revenue Bonds in the original principal amount of \$55,845,000. The Bonds were issued to refinance the remaining outstanding balance of the 2008 Electric System Refunding Certificates of Participation Series B. The Revenue Bonds bear interest at 2.00 percent - 5.00 percent and are due semi-annually on February 1 and August 1 of each year. In February 2017, the 2010 Electric System Revenue Refunding Certificates of Participation were partially refunded by the 2017 A and 2017 B Electric System Revenue Bonds as discussed in Note 4D. Principal payments are due annually beginning February 1, 2012 through 2020. The bonds were paid off during the fiscal year.

### 2013 Electric System Revenue Refunding Bonds

On November 14, 2013, the Roseville Finance Authority issued the Electric System Revenue Refunding Bonds, Series 2013, in the principal amount of \$48,780,000 to refund a portion of each of the 2004 Electric System Revenue and 2005 Electric System Revenue, Series A, COPs. The Bonds bear interest at 2.00 percent-5.00 percent, and are due semi-annually on February 1 and August 1 of each year. The Bonds are repayable by a pledge of net revenue from the Electric System. Principal payments are due annually on February 1 through 2029. The balance outstanding as of June 30, 2020 is \$25,275,000.

### Roseville Financing Authority Electric System Revenue Refunding Bonds, Series 2014

On July 24, 2014, the Roseville Financing Authority issued Electric System Revenue Refunding Bonds, Series 2014, in the amount of \$16,485,000 to refund the 2004 Electric System Revenue COPs. The bonds bear interest of 5 percent. Principal payments are due annually on February 1 beginning in 2030. Interest payments are due semi-annually on each August 1 and February 1, commencing on February 1, 2015 through February 1, 2034. The balance outstanding as of June 30, 2020 is \$16,485,000.

### 2017A Electric System Revenue Refunding Bonds

On February 8, 2017, the City issued Revenue Bonds in the original principal amount of \$56,210,000. The Bonds were issued to refund a portion of the 2009 Electric System Revenue Refunding Certificates of Participation and the 2010 Electric System Revenue Refunding Bonds. The Revenue Bonds bear interest at 3.00 percent-5.00 percent and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually on February 1 starting in 2022 and running through 2037. The balance outstanding as of June 30, 2020 is \$56,210,000.

### 2017B Taxable Electric System Revenue Refunding Bonds

On February 8, 2017, the City issued Taxable Revenue Bonds in the original principal amount of \$6,265,000. The Bonds were issued to refund a portion of the 2009 Electric System Revenue Refunding Certificates of Participation and the 2010 Electric System Revenue Refunding Bonds. The Revenue Bonds bear interest at 1.03 percent-2.41 percent and are due semi-annually on February 1 and August 1 of each year. Principal payments are due annually on February 1 through 2022. The balance outstanding as of June 30, 2020 is \$5,160,000.

## E. Electric System Pledged Revenues

As of June 30, 2020, the total principal and interest remaining to be paid on the 2004 Electric System Revenue COPs, 2012 Electric System Revenue Refunding COPs, the 2013 Electric System Revenue Refunding Bonds, the 2014 Electric System Revenue Refunding Bonds, the 2017A Electric System Revenue Refunding bonds and the 2017B Electric System Refunding bonds was \$207,061,044. As disclosed in the official statements, all net revenues of the Electric System are expected to provide coverage over debt service of 110 percent over the lives of the Bonds. For fiscal year 2020, net revenues amounted to \$68,519,237 which represents coverage of 135 percent over the \$50,843,637 in debt service.



## NOTE 4—LONG-TERM DEBT (CONTINUED)

### F. Interest Rate Swap Agreements

The City entered into interest swap agreements in connection with the 2008 Electric Revenue Certificates of Participation (COPs), Series A.

This transaction allows the City to create synthetic fixed rates on the COPs, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreements are disclosed below.

The Bank of America Merrill Lynch swap related to Electric System Revenue COP was terminated on November 1, 2019, and the Electric Fund's swap was terminated in April 2020.

Terms: The terms, including the counterparty credit ratings of the outstanding swaps, as of June 30, 2020, are included below. The swap agreements contain scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the associated bond issue.

RELATED BOND ISSUE	NOTIONAL AMOUNT	EFFECTIVE DATE	COUNTERPARTY	CREDIT RATING(A)	FIXED RATE PAID	VARIABLE RATE RECEIVED	TERMINATION DATE
2012 Electric System Refunding COP (based on notional amount of 2008 Electric System Revenue COP, Series A)	54,000,000	5/13/2008	Morgan Stanley Capital Services, Inc.	A+	3.321%	80.0% 1m LIBOR plus 60 basis points	5/1/23
\$54,000,000							

(A) Credit rating by Standard & Poor's Agency

Based on the swap agreements, the city owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that approximates the rate required by the associated COPs. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

**Fair value** – Fair value of the swaps takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Hedging derivative instruments are classified as Level 2 and are valued using a discounted cash flow technique, which calculates the future net settlement payments, assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates (LIBOR or SIMFA). The payments are then discounted using the spot rates (LIBOR or SIMFA) implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swap.

As of June 30, 2020, the fair value of the swaps was not in favor of the Electric Fund as follows:

RELATED BOND ISSUE	FAIR VALUE 2020	FAIR VALUE 2019
2012 Electric System Refunding COP (based on notional amount of 2008 Electric System Revenue COP, Series A)		
Bank of America, N.A.	\$-	\$(6,538,818)
Morgan Stanley Capital Services Inc.	(13,691,174)	(9,600,344)
	<b>\$(13,691,174)</b>	<b>\$(16,139,162)</b>

## NOTE 4—LONG-TERM DEBT (CONTINUED)

### F. Interest Rate Swap Agreements (Continued)

**Credit risk** – Since the fair values of the swaps are negative, the City is not currently exposed to credit risk. The fair values may increase if interest rates increase in the future. Should interest rates increase to the point where the fair values become positive, the City would be exposed to credit risk on the outstanding swaps. The City will be exposed to interest rate risk only if a counterparty to a swap defaults or if the swap is terminated.

**Basis risk** – Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to the bondholders temporarily differs from the variable swap rates received from the applicable counterparty. The City bears basis risk on the swaps. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rates the City pays on the underlying COPs and Bonds. The City is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

**Termination risk** – The City may terminate if the other party fails to perform under the terms of the contract. The City will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination, the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

**Rollover Risk** – Rollover risk is the risk that the swap associated with a debt issue matures or may be terminated prior to the maturity of the associated debt. When the swap terminates or a termination option is exercised by the counterparty, the City will be re-exposed to the risks being hedged by the swap. The would be exposed to rollover risk if the swap terminates before the maturity date.

**Swap payments and associated debt** – Using rates as of June 30, 2020, debt service requirements of the Electric Fund's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at Note 4H:

FOR THE YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	INTEREST RATE SWAPS, NET	TOTAL
2021	\$-	\$394,092	\$1,731,571	\$2,125,663
2022	-	394,092	1,731,571	2,125,663
2023	2,925,000	385,198	1,692,491	5,002,689
2024	3,420,000	362,346	1,592,084	5,374,430
2025	3,555,000	336,976	6,199,346	10,091,322
2026-2030	19,950,000	1,268,520	2,817,251	24,035,771
2034-2035	24,150,000	468,769	97,361	24,716,130
<b>Total</b>	<b>\$54,000,000</b>	<b>\$3,609,993</b>	<b>\$15,861,675</b>	<b>\$73,471,668</b>

## NOTE 4—LONG-TERM DEBT (CONTINUED)

### G. Original Issue Discounts and Premiums, and Deferred Amount on Refunding

For proprietary fund types, bond premiums and discounts 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. Any difference between proprietary refunded debt and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

### H. Debt Service Requirements

Annual debt service requirements are shown for all long-term debt:

FOR THE YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	DIRECT PLACEMENT	
			PRINCIPAL	INTEREST
2021	\$7,800,000	\$4,569,137	\$-	\$394,092
2022	8,115,000	4,253,971	-	394,092
2023	3,640,000	3,913,619	2,925,000	385,198
2024	3,605,000	3,749,119	3,420,000	362,346
2025	3,670,000	3,568,869	3,555,000	336,976
2026-2030	20,760,000	14,931,094	19,950,000	1,268,520
2031-2035	25,180,000	9,496,444	24,150,000	468,769
2036-2039	30,365,000	1,833,800	-	-
<b>Total</b>	<b>\$103,135,000</b>	<b>\$46,316,053</b>	<b>\$54,000,000</b>	<b>\$3,609,993</b>

# NOTE 5—PENSION PLAN

## A. Plan Description

Substantially all Electric Fund employees are eligible to participate in the City's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

## B. Benefits Provided

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

The Plan's provisions and benefits in effect at June 30, 2020 and 2019, are summarized as follows:

<b>MISCELLANEOUS</b>		
Hire date	Prior to January 1, 2013	After January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of annual salary	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates*	10.847%	6.250%

\*There was an additional contribution amount related to the payment of the Unfunded Actuarial Liability (UAL). This amount is allocated by the City to the City's various funds.

## C. Contributions

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plan is 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 Electric Fund is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

The Electric Fund's proportionate share of the City's contributions to the Miscellaneous Plan was \$5,888,148 and \$5,112,952 for the year ended June 30, 2020 and 2019, respectively.

## NOTE 5—PENSION PLAN (CONTINUED)

### D. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020 and 2019, the Electric Fund reported a net pension liability of \$63,291,847 and \$58,193,004 respectively for its proportionate share of the City's Miscellaneous Plan's net pension liability.

The net pension liability of the Plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Electric Fund's proportion of the City's Miscellaneous Pension Plan's net pension liability was based on the Electric Fund's fiscal year 2019 contributions to the City's miscellaneous pension plan relative to the total contributions of the City as a whole. The Electric Fund's proportionate share of the City's miscellaneous pension plan net pension liability, measured as of June 30, 2018 and June 30, 2019, for June 30, 2019 and 2020 was 24.8 percent and 25.6 percent respectively.

For the year ended June 30, 2020 and 2019, the Electric Fund recognized pension expense of \$6,759,168 and \$4,120,491 respectively. At June 30, 2020 and 2019, the Electric Fund reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<b>2020</b>	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>DEFERRED INFLOWS OF RESOURCES</b>
Employer contributions subsequent to measurement date	\$5,888,148	\$-
Differences between expected and actual experience	2,810,305	209,215
Changes in proportion	4,364,893	1,563,005
Changes in assumptions	2,151,550	747,236
Net differences between projected and actual earnings on pension plan investments	-	745,392
<b>Total</b>	<b>\$15,214,896</b>	<b>\$3,264,848</b>

<b>2019</b>	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>DEFERRED INFLOWS OF RESOURCES</b>
Employer contributions subsequent to measurement date	\$5,112,952	\$-
Differences between expected and actual experience	1,531,566	-
Changes in proportion	3,961,065	-
Changes in assumptions	4,408,645	-
Net differences between projected and actual earnings on pension plan investments	-	1,403,855
<b>Total</b>	<b>\$15,014,228</b>	<b>\$1,403,855</b>



## NOTE 5—PENSION PLAN (CONTINUED)

### D. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The amount of \$5,888,148 reported in the enterprise fund as deferred outflows of resources related to pensions, resulting from the Electric Fund's contributions to the City's plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

YEAR ENDED JUNE 30	
2021	\$4,631,825
2022	503,594
2023	827,364
2024	99,117
<b>Total</b>	<b>\$6,061,900</b>

### E. Actuarial Assumptions

The Electric Fund's proportion of the City's Miscellaneous Plan total pension liability in the June 30, 2018 and 2017, actuarial valuation was determined using the following actuarial assumptions.

MISCELLANEOUS		
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	
<b>ACTUARIAL ASSUMPTIONS:</b>		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.15% (2)	7.15% (2)
Mortality	Derived using CalPERS membership data	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses, includes inflation

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

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

## NOTE 5—PENSION PLAN (CONTINUED)

### E. Actuarial Assumptions (Continued)

In determining the long-term expected rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

ASSET CLASS	2020		
	TARGET ALLOCATION	REAL RETURN YEARS 1 - 10 <sup>1</sup>	REAL RETURN YEARS 11+ <sup>2</sup>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0%	-0.92%
<b>Total</b>	<b>100%</b>		

1 – An expected inflation of 2.0% used for this period

2 – An expected inflation of 2.92% used for this period

ASSET CLASS	2019		
	TARGET ALLOCATION	REAL RETURN YEARS 1 - 10 <sup>1</sup>	REAL RETURN YEARS 11+ <sup>2</sup>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Infrastructure and Forestland	0%	0%	0%
Liquidity	1%	0%	-0.92%
<b>Total</b>	<b>100%</b>		

1 – An expected inflation of 2.0% used for this period

2 – An expected inflation of 2.92% used for this period

# NOTE 5—PENSION PLAN (CONTINUED)

## F. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and 7.15 percent for the Plan as of the measurement date of June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## G. Sensitivity of the Electric Fund's proportionate share of the City's Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate

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

	2020	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	\$88,161,654	\$81,457,636
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$63,291,847	\$58,193,004
1% Increase	8.15%	8.15%
Net Pension Liability	\$42,755,788	\$38,993,012

## H. Pension Plan Fiduciary Net Position

Detailed information the City's collective net pension liability is available in the City's separately issued Comprehensive Annual Financial Report. The City's financial statements may be obtained by contacting the City of Roseville's Finance Department. That report may be obtained on the internet at [www.roseville.ca.us](http://www.roseville.ca.us).

## NOTE 6—POST-EMPLOYMENT BENEFITS

**Plan Description** - The City provides medical benefits to substantially all retirees under the City of Roseville Retiree Healthcare Plan, a sole employer defined benefit healthcare plan administered by the Trust Investment Review Committee. The City is responsible for establishing and amending the funding policy of the Plan. The plan financial statements can be obtained by contacting the City of Roseville Finance Department at 311 Vernon Street, Roseville, California 95678. For financial reporting purposes, the Electric Fund reports a proportionate share of the City's net OPEB liability. Accordingly, the disclosures and required supplementary information (RSI) have been reported for the Electric Fund as a cost-sharing participant.

**Benefits Provided** - The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the Plan. Benefit provisions are established and may be amended by City labor agreements, which are approved by the City Council.

**Contributions** - Contribution requirements of the Electric Fund are established and may be amended by the City Council. The Council established rates based on an actuarially determined rate. For the year ended June 30, 2020 and 2019, the Electric Fund contributed \$2,224,000 and 2,079,000 respectively.

### OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2020 and 2019, the Electric Fund reported a net OPEB liability of \$14,134,000 and \$18,900,000 respectively for its proportionate share of the City's net OPEB liability.

The net OPEB liability of the Plan 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 as of June 30, 2019. The Electric Fund's proportion of the Plan's net OPEB liability was based on the Electric Fund's fiscal year 2019 contributions to the Plan relative to the total contributions of the City as a whole. The Electric Fund's proportionate share of the Plan's net OPEB liability, measured as of June 30, 2020 and 2019, was 12.18 percent and 13.43 percent respectively.

For the year ended June 30, 2020 and 2019, the Electric Fund recognized OPEB credit of (\$2,604,000) and (\$200,000) respectively. At June 30, 2020 and 2019, the Electric Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020	
	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes in assumptions	\$3,656,000	\$4,623,000

	2019	
	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes in assumptions	1,195,000	-

# NOTE 6—POST-EMPLOYMENT BENEFITS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an increase to pension expense for the year ending June 30, 2020 are as follows:

YEAR ENDED JUNE 30	
2021	\$(190,221)
2022	(190,160)
2023	(184,069)
2024	(156,781)
2025	(94,532)
Thereafter	(151,237)
<b>Total</b>	<b>\$(967,000)</b>

## Actuarial Assumptions

The Electric Fund's proportion of the City's total OPEB liability in the June 30, 2019 and 2017 actuarial valuations was determined using the following actuarial assumptions:

	2020	2021
Valuation Date	June 30, 2019	June 30, 2017
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method, Level % of pay	
<b>ACTUARIAL ASSUMPTIONS:</b>		
Discount Rate	6.25%	6.25%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.0%	3.0%
Investment Rate of Return	6.25%	6.25%
Healthcare cost trend rate	Non-medicare: 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 Medicare: 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076.	
Mortality	CalPERS 1997-2011 Experience Study	

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period of 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.



## NOTE 6—POST-EMPLOYMENT BENEFITS (CONTINUED)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

In measurement year ended June 30, 2020 and 2019, the discount rate was 6.25 percent and 6.25 percent respectively.

The table below reflects long-term expected real rate of return by asset class for the year ended June 30, 2020. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

ASSET CLASS	2020	
	TARGET ALLOCATION	EXPECTED REAL RETURN
Domestic Equity	39%	4.80%
International Equity	21%	4.00%
Fixed Income	40%	1.50%
<b>Total</b>	<b>100%</b>	

Assumed Long-Term Rate of Inflation is 2.75%

The table below reflects long-term expected real rate of return by asset class for the year ended June 30, 2019. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

ASSET CLASS	2019	
	TARGET ALLOCATION	EXPECTED REAL RETURN
Domestic Equity	39%	4.80%
International Equity	21%	4.00%
Fixed Income	40%	1.50%
<b>Total</b>	<b>100%</b>	

Assumed Long-Term Rate of Inflation is 2.75%

### Discount Rate

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

# NOTE 6—POST-EMPLOYMENT BENEFITS (CONTINUED)

## Sensitivity of the Electric Fund's proportionate share of the Plan's net OPEB Liability to changes in the discount rate

The following presents the Electric Fund's proportionate share of the net OPEB liability, calculated using the discount rate for the Plan, as well as what the Electric Fund's proportionate share of the 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 rate:

	2020		
	1% DECREASE 5.25%	CURRENT 6.25%	1% INCREASE 7.25%
Electric Fund's net OPEB liability	\$18,111,104	\$14,134,000	\$110,905,214

	2019		
	1% DECREASE 5.25%	CURRENT 6.25%	1% INCREASE 7.25%
Electric Fund's net OPEB liability	\$23,718,184	\$18,900,000	\$15,038,942

## Sensitivity of the Electric Fund's proportionate share of the Plan's net OPEB Liability to changes in the healthcare cost trend rate

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

	2020		
	1% DECREASE (6.5% DECREASING TO 3%)	CURRENT (7.5% DECREASING TO 4%)	1% INCREASE (8.5% DECREASING TO 5%)
Electric Fund's net OPEB liability	\$11,286,228	\$14,134,000	\$16,948,703

	2019		
	1% DECREASE (6.5% DECREASING TO 3%)	CURRENT (7.5% DECREASING TO 4%)	1% INCREASE (8.5% DECREASING TO 5%)
Electric Fund's net OPEB liability	\$15,387,901	\$18,900,000	\$22,376,882

**OPEB Plan Fiduciary Net Position** – Detailed information about the City's collective net OPEB liability is available in the City's separately issued Comprehensive Annual Financial Report. The City's Comprehensive Annual Financial Report may be obtained at [www.roseville.ca.us](http://www.roseville.ca.us).

# NOTE 7—NORTHERN CALIFORNIA POWER AGENCY (NCPA)

## A. General

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the Board.

The City is a member of NCPA, a joint powers agency which operates under a joint powers agreement among fifteen public agencies. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, and to optimize the use of those facilities and the member's position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

The City receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine the City's equity in NCPA as a whole. NCPA reports only the City's share of its General Operating Reserve, comprised of cash and investments, and the City's share of those Projects in which the City is a participant. These amounts are reflected in the financial statements as Investment in NCPA Reserve.

During the year ended June 30, 2020 and 2019, the City incurred expenses totaling \$7,638,898 and \$5,365,891 respectively for purchased power, regulatory and legislative assessments, association dues and prepaid assets paid to NCPA.

The City's interest in certain NCPA Projects and Reserve, as computed by NCPA using unaudited information, is set forth below.

	JUNE 30, 2020	JUNE 30, 2019
General Operation Reserve (including advances)	\$3,457,819	\$2,553,066
Associated Member Services (including advances)	82,649	84,411
Undivided equity interest, at cost, in certain NCPA Power Projects:		
Geothermal Projects	652,117	784,979
Calaveras Hydroelectric Project	837,089	1,641,784
Combustion Turbine Project No. 2	146,246	154,369
	<b>\$5,175,920</b>	<b>\$5,218,609</b>

# NOTE 7—NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

## A. General (Continued)

The General Operating Reserve (GOR) is an additional operating reserve for non-budgeted items that are contingent or non-specific. Deposits to the GOR include items such as the City's portion of funds which resulted from the settlement with third parties of issues with financial consequences and reconciliations of prior years' budgets for programs. It is recognized that all the funds credited to the City are linked to the collection of revenue from the City's ratepayers, or to the settlement of disputes relating to electric power supply and that the money was collected from the City's ratepayers to pay power bills. Additionally, the NCPA Commission identified and approved the funding of specific reserves for working capital, accumulated employees post-retirement medical benefits, and billed property taxes for the geothermal project. The Commission also identified a number of contingent liabilities that may or may not be realized, the cost of which in most cases is difficult to estimate at this time. One such contingent liability is the steam field depletion which will require funding to cover debt service and operational costs in excess of the expected value of the electric power. The General Operating Reserve is intended to minimize the number and amount of individual reserves needed for each project, protect NCPA's financial condition and maintain its credit worthiness. These funds are available on demand, but the City maintains funds with NCPA as a reserve against these contingencies identified by NCPA.

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

## B. Projects

### Geothermal Projects

NCPA's Geothermal Project has experienced a greater than originally anticipated decline in steam production from geothermal wells on its leasehold property. NCPA will continue to monitor the wells while pursuing alternatives for improving and extending reservoir

performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and is attempting to increase water reinjection at strategic locations. NCPA, together with other steam developers and the Lake County Sanitation District, has completed the construction of a wastewater pipeline project that greatly increased the amount of water available for reinjection.

Based on an internal assessment of the melded costs of power from the Geothermal Project and all other resources available to the members, NCPA believes its members will continue to be able to operate their electric utilities on a competitive basis, when compared to local investor-owned utility rates, while meeting all electric system obligations including those to NCPA. In March 2009, NCPA issued \$35,610,000 Geothermal Project Number 3 Revenue Bonds (2009 Series A). The proceeds were used to finance and operate the two NCPA 110 MW geothermal steam powered generating plants, Plant Number 1 and Plant Number 2. In 2012, NCPA issued \$12,910,000 in bonds for Plant Number 1 turbine upgrades. The City is obligated to pay its contractual share of 7.883 percent of the operating costs and debt service until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2020, the book value of this Project's plant, equipment and other assets was \$135,960,830 while its long-term debt totaled \$20,100,000 and other liabilities totaled \$107,592,397. The City's share of the Project's long-term debt amounted to \$1,584,483 at that date. At June 30, 2019, the book value of this Project's plant, equipment and other assets was \$81,731,597 while its long-term debt totaled \$24,520,000 and other liabilities totaled \$47,257,781. The City's share of the Project's long-term debt amounted to \$1,932,912 at that date.

# NOTE 7—NORTHERN CALIFORNIA POWER AGENCY (NCPA) (CONTINUED)

## B. Projects (Continued)

### Calaveras Hydroelectric Project

In July 1981, NCPA agreed with Calaveras County Water District to purchase the output of the North Fork Stanislaus River Hydroelectric Development Project and to finance its construction. Debt service payments to NCPA began in February 1990 when the project was declared substantially complete and power was delivered to the participants. Under its power purchase agreement with NCPA, the City is obligated to pay 12 percent of this Project's debt service and operating costs. In March 2018, NCPA refunded a portion of the outstanding Revenue Bonds with the \$70,215,000 2018 Hydroelectric Project Number One Revenue Bonds. The City's share of the 2018 bonds is 4.586%. In April 2018, NCPA refunded a portion of the outstanding Revenue Bonds with the \$39,250,000 2019 Hydroelectric Project Number One Revenue Bonds. At June 30, 2020, the book value of this Project's plant, equipment and other assets was \$333,196,518, while its long-term debt totaled \$279,438,459, and other liabilities totaled \$46,732,319. The City's share of the Project's long-term debt amounted to \$27,457,243 at that date. At June 30, 2019, the book value of this Project's plant, equipment and other assets was \$348,828,156, while its long-term debt totaled \$294,937,994, and other liabilities totaled \$40,208,634. The City's share of the Project's long-term debt amounted to \$29,692,373 at that date.

### Combustion Turbine Project No. 2 (Steam Injected Gas Turbine Project)

The City is a participant in a 49.8 megawatt Steam Injected Gas Turbine project which was built under turnkey contract near the City of Lodi and declared substantially complete on April 23, 1996. In October 1992, NCPA issued \$152,320,000 of Multiple Capital Facilities Revenue Bonds to finance this project. In January 2010, NCPA refinanced the outstanding Capital Facilities Revenue Bonds by the issuance of the \$55,120,000 Capital Facilities Revenue Bonds Series A (2010 Refunding Series A). Under the NCPA power purchase agreement, the City is obligated to pay 36.50 percent of the debt service and operating costs for the Lodi unit.

The City's participation in procurement of natural gas for fuel for existing and new combustion turbine units was approved in 1993. Although there is currently no additional debt financing, the City and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. The City is obligated to pay 17.9218 percent of the natural gas purchase contract.

At June 30, 2020, the book value of this Project's plant, equipment and other assets was \$25,397,853, while its long-term debt totaled \$22,457,231 and other liabilities totaled \$2,539,948. The City's share of the Project's long-term debt amounted to \$8,196,889 at that date. At June 30, 2019, the book value of this Project's plant, equipment and other assets was \$32,501,996, while its long-term debt totaled \$30,064,966 and other liabilities totaled \$2,014,101. The City's share of the Project's long-term debt amounted to \$10,973,713 at that date.

## C. NCPA Financial Information

NCPA's financial statements can be obtained from NCPA, 651 Commerce Drive, Roseville, California 95678.



# NOTE 8—RISK MANAGEMENT

The Electric Fund, as a Fund of the City, is included in the City's risk management program. The City manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member agencies. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

The contributions made to the risk pools below equal the ratio of the respective member payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. 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.

## A. Risk Coverage

### **General Liability, Property, and Boiler and Machinery**

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims, property, and boiler and machinery losses. Once the City's self-insured retention (SIR) is met, CJPRMA becomes responsible for payment of all claims up to the limit. Financial statements for the risk pool and more information may be obtained from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, California 94551.

### **General Liability Coverage**

The City has a self-insured retention (SIR) of \$500,000 per claim up to a \$40,000,000 limit.

### **Property Coverage**

CJPRMA has purchased commercial insurance against property damage, boiler machinery claims. The City has a SIR of \$25,000 per claim up to a \$400,000,000 limit.

### **Roseville Energy Park Property Coverage**

The City purchased commercial property insurance specifically to cover the Roseville Energy Park. The City has a SIR of \$250,000 per claim up to a \$200,000,000 limit.

### **Fiduciary Coverage**

The City purchased fiduciary insurance specifically to cover the OPEB Trust. The SIR is \$25,000 per claim up to a \$3,000,000 limit.

### **Workers' Compensation**

The City is also a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which covers workers' compensation claims up to \$5,000,000 and has excess coverage through CSAC-EIA up to the statutory limit. The City has a SIR of \$500,000 per claim.

Financial statements for the risk pool and more information may be obtained from LAWCX, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

Claims have not exceeded coverage at any time in the last three years.

# NOTE 9—CONTINGENT LIABILITIES

## A. NCPA, Transmission Agency of Northern California and Western Area Power Administration

Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 7. The City's estimated share of such debt outstanding at June 30, 2020 and 2019, was \$36,488,086 and \$40,956,811 respectively. Under certain circumstances, the City may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

The City is a member of the Transmission Agency of Northern California (TANC), a joint powers agency. The City is entitled to 2.1119 percent of TANC's share of transfer capability in the California-Oregon Transmission Project (approximately 29.35MW). The City is responsible for a share of debt service on debt issued by TANC under a take-or-pay agreement, approximately \$400,000 annually through 2039. The City's estimated share of debt outstanding at June 30, 2020 and 2019 was \$3,924,958 and \$4,416,410, respectively.

In addition, the City has a long-term obligation to the United States Department of Energy, Western Area Power Administration, for 4.58533 percent of the output of the Central Valley Project, California. This contract, also known as the Western Base Resource, obligates the City to make payments on a "take-or-pay" basis through December 31, 2024. The City expects to pay approximately \$4 million annually for the term of this contract. The City receives approximately 155,000 MWh of energy per year under average hydro and storage conditions.

## B. Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

## C. Litigation

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, other than disclosed above, which is likely to have a material adverse effect on the financial position of the City.

## D. Other Commitments

The Electric Fund had the following outstanding significant commitments at June 30, 2020 and 2019:

PROJECTS	2020	2019
	AMOUNTS (IN MILLIONS)	AMOUNTS (IN MILLIONS)
Roseville Energy Park long-term service agreement	\$37.9	\$25.4
Net power purchase contracts	13.4	56.3
Natural Gas Forward Obligations	42.7	57.9
Renewable power purchase obligations	44.4	44.9
Advanced Metering Infrastructure	9.8	-

# NOTE 10—DERIVATIVE INSTRUMENTS

## A. Summary of Notional Amounts and Fair Values

The City enters into contracts to hedge its price exposures to power and natural gas, and to procure energy supplies. These contracts are evaluated pursuant to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, to determine whether they meet the definition of derivative instruments, and, if so, whether they effectively hedge the expected cash flows associated with interest rate and energy exposures.

The City applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred inflow or outflow of resources on the statement of net position. For the reporting period, all of the City's derivatives are considered effective hedges.

For energy derivatives, fair values are estimated by comparing contract prices to forward market prices quoted by third party market participants or provided in relevant industry publications. The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2020 and 2019.

2020	CHANGE IN FAIR VALUE		FAIR VALUE,		NOTIONAL	LEVEL
	CLASSIFICATION	AMOUNT	CLASSIFICATION	AMOUNT		
Effective Cash Flow Hedges						
Pay Fixed SWAP, Natural Gas	Deferred Outflow	\$6,538,818	Derivative	-	2,282,500 mmBtu	2
Pay Fixed SWAP, Natural Gas	Deferred Outflow	(4,090,830)	Derivative	(13,691,174)	342,000 MWh	2
				<b>\$(13,691,174)</b>		

2019	CHANGE IN FAIR VALUE		FAIR VALUE,		NOTIONAL	LEVEL
	CLASSIFICATION	AMOUNT	CLASSIFICATION	AMOUNT		
Effective Cash Flow Hedges						
Pay Fixed SWAP, Natural Gas	Deferred Outflow	\$(2,036,560)	Derivative	\$(6,538,818)	2,282,500 mmBtu	2
Pay Fixed SWAP, Natural Gas	Deferred Outflow	(3,061,516)	Derivative	(9,600,344)	342,000 MWh	2
				<b>\$(16,139,162)</b>		

# NOTE 10—DERIVATIVE INSTRUMENTS (CONTINUED)

## B. Objective and Terms of Hedging Derivative Instruments

The objectives and terms of the City's hedging derivative instruments that were outstanding at June 30, 2020 and 2019, are summarized in the next table. The table is aggregated by the credit ratings of the City's counterparties. For counterparties having multiple ratings, the rating indicating the greatest degree of risk is used.

Objectives and terms of the City's hedging derivative instruments that were outstanding at June 30, 2020 are summarized in the table below:

TYPE AND OBJECTIVE	2020					
	NOTIONAL AMOUNT	EFFECTIVE DATE	MATURITY DATE	TERMS	COUNTERPARTY	COUNTERPARTY RATING
<b>Forward Contracts, Gas:</b>						
Hedge Cash Flows on PG&E citygate Gas	155,000 mmBtu	7/1/20	1/31/21	Pay \$2.97; Receive NGI PG&E citygate price	BP Energy	A2
Hedge Cash Flows on PG&E citygate Gas	612,500 mmBtu	8/1/20	9/30/22	Pay \$3.01; Receive NGI PG&E citygate price	EDF Trading North America	Baa2
Hedge Cash Flows on PG&E citygate Gas	3,722,500 mmBtu	8/1/20	3/31/22	Pay \$3.04; Receive NGI PG&E citygate price	J Aron & Company	A3
Hedge Cash Flows on PG&E citygate Gas	3,195,500 mmBtu	1/1/21	3/31/23	Pay \$3.05; Receive NGI PG&E citygate price	Macquarie Energy	A2
Hedge Cash Flows on PG&E citygate Gas	382,500 mmBtu	8/1/20	12/31/20	Pay \$3.13; Receive NGI PG&E citygate price	Shell Trading Risk Management	A2
<b>Forward Contracts, Power:</b>						
Hedge Cash Flows on NP15 Power	145,025 MWh	7/1/2020	12/31/2021	Average Cost/Unit at \$35.68	Conoco Phillips	A3
Hedge Cash Flows on NP15 Power	184,400 MWh	7/1/2020	12/31/2021	Average Cost/Unit at \$40.07	EDF Trading North America	Baa2
Hedge Cash Flows on NP15 Power	61,600 MWh	7/1/2020	12/31/2021	Average Cost/Unit at \$38.25	Macquarie Energy	A2
<b>Commodity Swaps, Gas</b>						
Prepayment 20-year supply of Natural Gas	192,600 MWh	1/1/2008	12/31/2027	Pay index minus 0.68; Receive NGI	Merrill Lynch	Aa3
Hedge Cash Flows on on prepayment of 20-year supply of Natural Gas	246,000 MWh	1/24/2007	1/25/2028	Pay NGI PG&E citygate price; Receive \$7.7224 per MMBtu	JPMorgan Chase Bank, NA	Aa2

# NOTE 10—DERIVATIVE INSTRUMENTS (CONTINUED)

## C. Objective and Terms of Hedging Derivative Instruments (Continued)

Objectives and terms of the City's hedging derivative instruments that were outstanding at June 30, 2019 are summarized in the table below:

TYPE AND OBJECTIVE	2019					
	NOTIONAL AMOUNT	EFFECTIVE DATE	MATURITY DATE	TERMS	COUNTERPARTY	COUNTERPARTY RATING
<b>Forward Contracts, Gas:</b>						
Hedge Cash Flows on PG&E citygate Gas	152,500 mmBtu	8/1/2019	6/30/2020	Pay \$2.89; Receive NGI PG&E citygate price	Conoco Phillips	A3
Hedge Cash Flows on PG&E citygate Gas	610,000 mmBtu	1/1/2020	6/30/2022	Pay \$3.07; Receive NGI PG&E citygate price	EDF Trading North America	Baa2
Hedge Cash Flows on PG&E citygate Gas	3,800,000 mmBtu	8/1/2019	3/31/2020	Pay \$3.04; Receive NGI PG&E citygate price	J Aron & Company	A3
Hedge Cash Flows on PG&E citygate Gas	915,000 mmBtu	1/1/2020	12/31/2020	Pay \$3.13; Receive NGI PG&E citygate price	Shell Trading Risk Management	A2
<b>Forward Contracts, Power:</b>						
Hedge Cash Flows on NP15 Power	192,600 MWh	7/1/2019	12/31/2019	Pay \$37.50 at NP15	Conoco Phillips	A3
Hedge Cash Flows on NP15 Power	246,000 MWh	7/1/2019	12/31/2021	Pay \$39.80 at NP15	EDF Trading North America	Baa2
Hedge Cash Flows on NP15 Power	123,000 MWh	7/1/2019	12/31/2020	Pay \$38.25 at NP15	Macquarie Energy	A2
<b>Commodity Swaps, Gas</b>						
Prepayment 20-year supply of Natural Gas	20,426,500 mmBtu	1/1/2008	12/31/2027	Pay index minus 0.68; Receive NGI	Merrill Lynch	A
Hedge Cash Flows on on prepayment of 20-year supply of Natural Gas	From 75,000 to 372,000 mmBtu per month	1/24/2007	1/25/2028	Pay NGI PG&E citygate price; Receive \$7.7224 per MMBtu	JPMorgan Chase Bank, NA	A+

## C. Risks of Derivative Instruments

**Credit risk** – Credit risk is the risk of loss due to a counterparty defaulting on its obligations. The City seeks to minimize credit risk by transacting with creditworthy counterparties. Interest rate swap counterparties are evaluated at the time of transaction execution. The procedure prohibits the City from executing energy hedge transactions with counterparties rated lower than BBB by Standard & Poor's or Fitch rating services, or Baa2 by Moody's. Subsequent to entering into transactions, the credit ratings of one or more counterparties may deteriorate. If so, the City's credit risk management policies increase the amount of collateral that the counterparty must post with the City when the counterparty owes the City, thereby reducing credit risk associated with the decline in the counterparty's credit worthiness.

**Termination risk** – Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default, and mergers in which the successor entity does not meet credit criteria. One aspect of termination risk is that the City would lose the hedging benefit of a derivative that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination, the mark-to-market value of the derivative was a liability to the City, the City could be required to pay that amount to the counterparty. Termination risk is associated with all of the City's derivatives up to the fair value amounts.

# Required Supplementary Information



# ROSEVILLE ELECTRIC FUND

## SCHEDULE OF THE ELECTRIC FUND'S PROPORTIONATE SHARE OF THE CITY'S MISCELLANEOUS PLAN NET PENSION LIABILITY. (LAST 10 YEARS)

	2015*	2016	2017	2018	2019	2020
Proportion of the collective net pension liability	21.27%	21.27%	15.10%	24.20%	24.80%	25.60%
Proportionate share of the collective net pension liability	\$35,340,103	\$37,644,806	\$45,137,479	\$55,319,523	\$58,193,004	\$63,291,847
Covered payroll	\$14,222,485	\$15,098,184	\$16,397,168	\$19,055,633	\$13,336,246	\$20,288,169
Proportionate share of net pension liability as a percentage of covered payroll	248.48%	249.33%	275.28%	290.31%	436.35%	311.96%
Plan fiduciary net position as a percentage of the total pension liability	67.62%	66.97%	63.89%	63.85%	65.21%	65.09%
Measurement Date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019

\*Fiscal Year 2015 was the first year of implementation.

# ROSEVILLE ELECTRIC FUND

## SCHEDULE OF PENSION CONTRIBUTIONS. (LAST 10 YEARS)

	2015*	2016	2017	2018	2019	2020
Actuarially determined contributions	\$3,375,790	\$3,884,489	\$4,699,119	\$4,463,913	\$5,112,952	\$5,888,148
Contributions in relation to the actuarially determined contribution	3,375,790	3,884,489	4,699,119	4,463,913	5,112,952	5,888,148
<b>Contribution deficiency (excess)</b>	\$-	\$-	\$-	\$-	\$-	\$-
Covered payroll	\$15,098,184	\$16,397,168	\$19,055,633	\$19,169,023	\$20,288,169	\$20,586,805
Contributions as a percentage of covered payroll	22.49%	23.69%	24.66%	23.29%	25.20%	28.60%

\*Fiscal year 2015 was the first year of implementation.

# ROSEVILLE ELECTRIC FUND

## SCHEDULE OF THE ELECTRIC FUND'S PROPORTIONATE SHARE OF THE CITY'S NET OPEB LIABILITY. (LAST 10 YEARS)

	2018*	2019	2019
Proportion of the collective net OPEB liability	11.11%	13.43%	12.18%
Proportionate share of the collective net OPEB liability	\$15,897,000	\$18,900,000	14,134,000
Covered-employee payroll	\$13,336,246	\$17,651,501	20,586,805
Proportionate share of net OPEB liability as a percentage of covered-employee payroll	119.20%	107.07%	68.66%
Plan fiduciary net position as a percentage of the total OPEB liability	37.07%	41.04%	48.58%
Measurement Date	June 30, 2018	June 30, 2019	June 30, 2020

\*Fiscal year 2018 was the first year of implementation.

# ROSEVILLE ELECTRIC FUND

## SCHEDULE OF OPEB CONTRIBUTIONS. LAST 10 YEARS

	2018*	2019	2020
Actuarially determined contributions	\$2,016,000	\$2,079,000	2,224,000
Contributions in relation to the actuarially determined contribution	2,016,000	2,079,000	2,224,000
<b>Contribution deficiency (excess)</b>	\$-	\$-	\$-
Covered-employee payroll	\$13,336,246	\$17,651,501	20,586,805
Contributions as a percentage of covered payroll	15.12%	11.78%	10.80%

\*Fiscal year 2018 was the first year of implementation.



