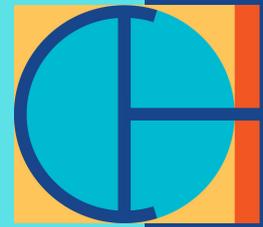


City of Citrus Heights



Popular Annual Financial Report

FOR YEAR ENDED JUNE 30, 2021

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MESSAGE FROM THE ACCOUNTING MANAGER

Rajneil Prasad

To the Citizens of City of Citrus Heights:

Welcome to City of Citrus Height's first-ever Popular Annual Financial Report (PAFR). The PAFR, also referred to as the "Citizen's Report", is intended to provide our citizens with an easy-to-read explanation of the City's finances. The PAFR provides an overview of the City's financial condition for the fiscal year ended June 30, 2021 (FY 21), and a brief analysis of where the City's revenues are derived and where those dollars are spent.

The Finance Division of the Administrative Services Department is dedicated to promoting transparency and fiscal accountability within local government. This Citizen's Report serves an important function in that mission by providing our taxpayers and stakeholders with access to City financial information.

Although this FY 21 PAFR is being released as we approach the end of FY 22, it was due to a unique opportunity in February 2022 to participate in a leadership program with the Government Finance Officers Association and the Engaging Local Government Leaders (ELGL) organization that partnered our City with a graduate student to develop this first-ever PAFR. Thank you to Minisha Trivedi and Dena Jenkins for creating this first-ever PAFR.

I hope you enjoy reading the City's PAFR. If you have comments, questions, or suggestions please reach out to the City of Citrus Heights Administrative Services Department at finance@citrusheights.net or (916) 725-2448.

Rajneil Prasad
Accounting Manager

Visit the City's Website



Table of Contents

Government Profile	2
City History	3
City Demographic	4
City Statistics	5
Net Position Statement	6
General Funds Statement	7
Statement of Activities	8
City Revenues	9
City Expenditures	10
City Roads & Repairs	11
Major Project Completed	13
COVID-19	14

Award: GFOA Certificate

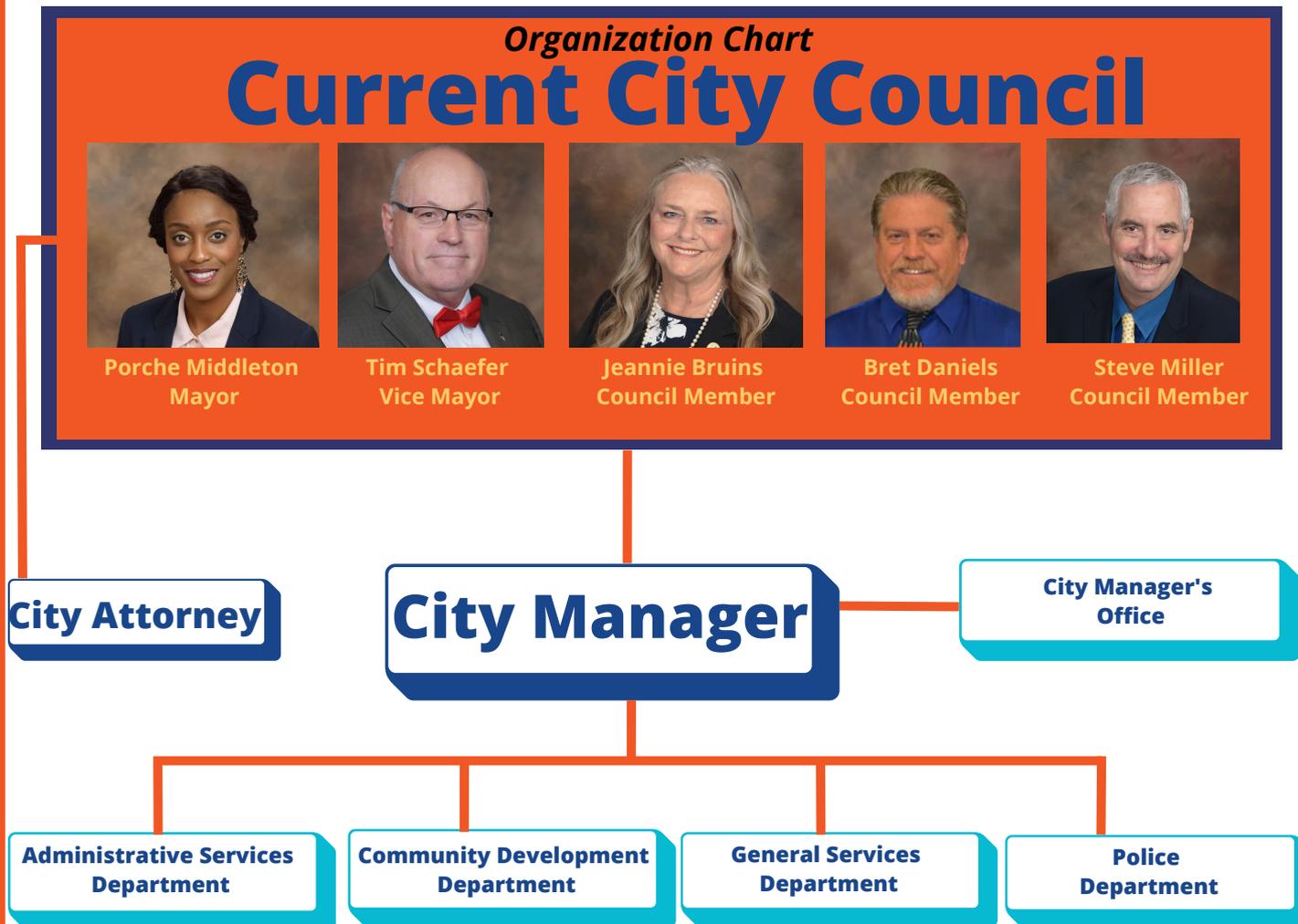


City of Citrus Heights

Government Profile

The Citrus Heights City Council consists of five members, elected to four-year overlapping terms in district-based elections. Council members must be residents of the City. The positions of Mayor and Vice Mayor are chosen by the City Council through policy direction determined by the City Council. The Mayor conducts the City Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, and all members of advisory boards and commissions.



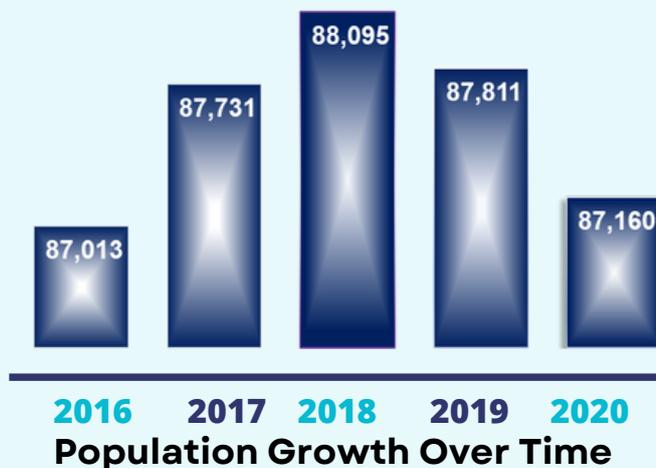
Who Makes up the City?

City Demographics



Population

87,160



Millennials

20,413



Retiring Soon

26,969



Median
Age of Citizens

38.0

Bachelor's
Degree

20.4%



High School
Degree

90.3%



How Expensive is the City?

City Statistics



Median Housing
Price

\$403,455



Total Labor
Force

43,400



Per Capita
Personal Income

\$30,729



Unemployment
Rate

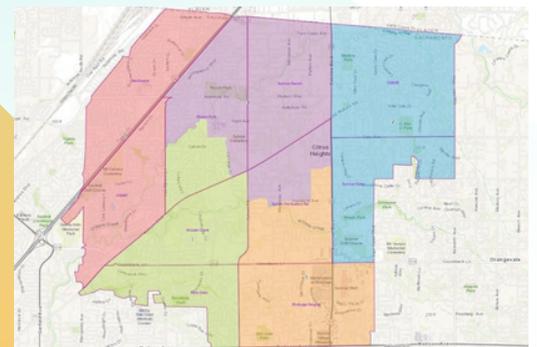
9.0%



Avg. Earnings
Per Job

\$76.0K

Total Street Miles
237 Mi



Total City Area

14.2 Mi²



Net Position

The Statement of Net Position provides information about the financial position of the City as a whole; much like a balance sheet does for a corporation. It represents the difference between all of its assets (everything the City owns) and its liabilities (everything the City owes) on an accrual basis. It is an indication of the City's financial health at the end of each fiscal year. All of the City's activities are grouped into Governmental Activities and Business-type activities in order to provide a summary of these two activities of the City as a whole.

	Governmental Activities	Business-type Activities	Totals		
	2021	2021	2021	2020	2019
Assets/Deferred Outflows					
Current and other assets	\$ 52,521,022	\$ 1,034,701	\$ 53,555,723	\$ 36,338,113	\$ 32,998,227
Capital assets	319,485,541	357,956	319,843,497	328,960,349	337,286,574
Total Assets	372,006,563	1,392,657	373,399,220	365,298,462	370,284,801

Total Deferred Outflows	6,983,623	87,007	7,070,630	7,477,588	8,089,739
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Liabilities/ Deferred Inflows					
Long-term liabilities	23,930,072	281,364	24,211,436	21,274,457	15,978,726
Other liabilities	16,239,828	49,452	16,289,280	7,881,392	8,799,953
Total Liabilities	40,169,900	330,816	40,500,716	29,155,849	24,778,679

Total Deferred Inflows	1,107,527	15,584	1,123,111	1,156,674	744,650
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Net position					
Net investment in capital assets	319,214,442	357,956	319,572,398	328,960,349	337,286,574
Restricted	25,779,873	-	25,779,873	20,775,754	13,375,787
Unrestricted	(7,281,556)	775,308	(6,506,248)	(7,272,576)	2,189,050
Total Net Position	\$ 337,712,759	\$ 1,133,264	\$ 338,846,023	\$ 342,463,527	\$ 352,851,211



Governmental activities:

The City's basic services that are supported by general City revenues are considered governmental activities, including general government, community development, economic development, public safety, public improvements, and etc.

Business-type activities:

City services that are supported by charges paid by users based on the amount of the service they use.

Net investment in Capital Assets:

Represents the difference between the amount paid for capital assets (such as equipment and buildings), the accumulated depreciation of those assets, and any outstanding debt used to pay for them.

2021 Summary

2021 Net Position
\$ 338,846,023

↓

Decreased by:
\$ 3,617,504

2021 Restricted Funds
\$ 25,779,873

2021 Unrestricted Funds
\$ (6,506,248)



Restricted:

Funds that are not available for City use because they must be used for a specific purpose or project as required by law or regulation.

Unrestricted:

The remaining balance available for use that is not invested capital assets or restricted.

Deferred Outflows:

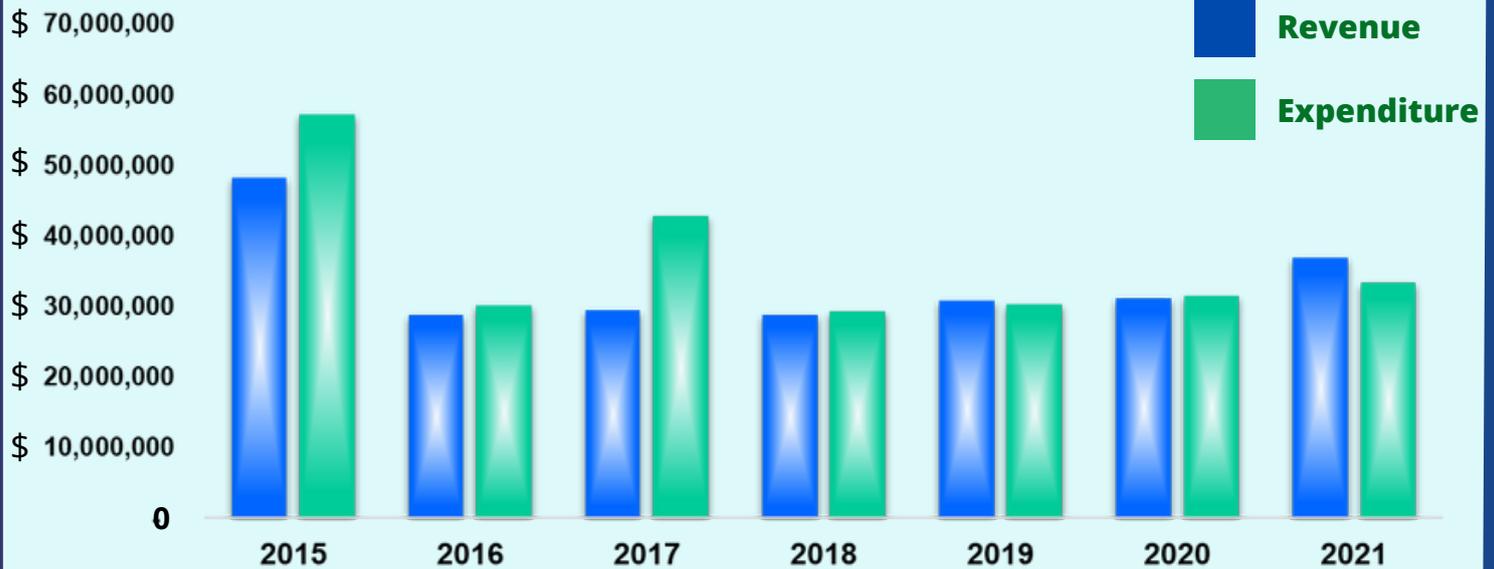
Represents a consumption of net assets by the City that is applicable to a future reporting period.

Deferred Inflows:

Represents an acquisition of net assets by the City that is applicable to a future reporting period.

General Fund

The General Fund is the chief operating fund of the City. The actual total revenues were approximately \$6,196,053 more than the final budgeted amount. Investment earnings, contributions, and fines and forfeitures came in under budget; all other revenue categories exceeded the budget estimate. The largest favorable variance compared to the budget was in intergovernmental revenues, \$3,565,067. This includes one-time CARES Act Relief funds and funding for the Great Plates program. An increase in general sales tax revenue was due to the re-opening of local businesses that had shut down or been impacted by the COVID-19 pandemic. An increase in charges for services was due to the inflationary changes from the City Council approved Master Fee Schedule effective January 1, 2020.



Change in Fund Balance

Year	Change in Fund Balance	Fund Balance
2015	\$ (8,918,442)	\$ 20,436,966
2016	\$ (1,360,955)	\$ 19,076,011
2017	\$ (13,357,576)	\$ 5,718,435
2018	\$ (544,643)	\$ 5,713,792
2019	\$ 1,356,736	\$ 6,530,126
2020	\$ (1,250,402)	\$ 5,280,126
2021	\$ 3,610,700	\$ 8,890,826

2021 General Fund Fund Balance

\$ 8,890,826

Reserves and Revenue Stabilization

\$ 4,486,978

**Fund Balance Increased by:
\$ 3,610,700**

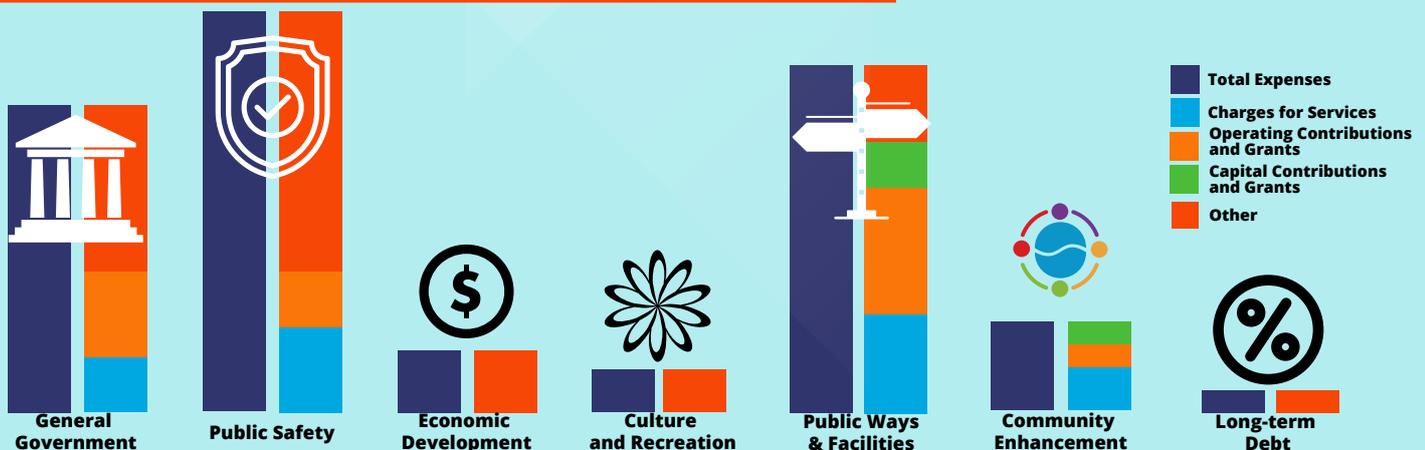
Statement of Activities



The City's financial planning promotes long-term planning of its resources that is reflective of community priorities, essential services, and quality of life. The ten-year financial forecast has served as the primary budget guidance tool since the City's incorporation in 1997. The forecast is updated annually to project future General Fund revenue and expenditure. Several factors directly affect the City's General Fund revenue. Since the City currently receives approximately 40% of its General Fund revenue from sales and use tax, it is especially susceptible to economic downturns and the changing retail economy. In addition, the City is approximately 98% built out which results in fewer opportunities for revenue generating growth. The City will continue to balance the General Fund by implementing a combination of cost saving measures as well as prudent financial planning.

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues					
Governmental Activities Revenues					
Program Revenues	\$ 17,457,302	\$ 15,695,540	\$ 23,882,888	\$ 20,756,517	\$ 26,132,366
General Revenues	29,621,399	29,236,877	26,316,227	26,406,989	27,193,665
Business-type Activities Revenues					
Solid Waste	762,066	802,288	888,285	895,798	966,398
Total Revenues	47,840,767	45,734,705	51,087,400	48,059,304	54,292,429
Expenses					
Government Activities					
General Government	5,463,122	6,106,557	6,909,949	7,360,783	10,210,576
Public safety	18,378,242	21,698,128	24,025,017	24,443,611	23,338,898
Public ways and facilities	24,188,701	24,395,899	21,730,069	19,019,629	18,149,133
Culture and recreation	669,948	722,254	720,442	830,572	540,427
Economic development	402,904	353,608	296,233	950,409	916,027
Community enhancements	4,710,977	4,664,278	3,953,127	3,928,848	3,877,993
Interest on long-term debt			70,962	151,957	144,455
Business-type activities expenses					
Solid waste	798,694	751,291	809,466	675,849	732,927
Total primary government expenses	54,612,588	58,692,015	58,515,265	57,361,658	57,909,936
Change in Net Position					
Governmental activities	(6,735,193)	(13,008,307)	(10,356,855)	(10,607,634)	(3,850,978)
Business-type activities	(36,628)	50,997	78,819	219,949	233,471
Total primary government	\$ (6,771,821)	\$ (12,957,310)	\$ (10,278,036)	\$ (10,387,685)	\$ (3,617,507)

Governmental Activities Expenses & Revenue Sources



Revenues

The City's total revenues for governmental and business-type activities were \$54,292,429 for the fiscal year ended June 30, 2021. Approximately 70% of the City's key revenues are generated from four major sources.



Program Revenue	Governmental Activities	Business-type Activities	Totals
Charges for services	\$ 11,469,898	\$ 904,130	\$ 12,374,028
Grants and contributions			
Operating Grant	11,072,674		11,072,674
Capital Grant	3,589,794		3,589,794
General Revenue			
Property taxes and assmt	383,773		383,773
Sales and use taxes	13,373,483		13,373,483
Utility user taxes	2,717,945		2,717,945
Other taxes	1,412,898		1,412,898
Other revenue		61,151	61,151
Shared intergovernmental - unrestricted	9,303,916		9,303,916
Investment earnings (loss)	1,650	1,117	2,767
Total Revenue	\$ 53,326,031	\$ 966,398	\$ 54,292,429

- Sales and Use Taxes 25.09 %
- Charges for Services 21.51 %
- Operating Grants 20.77 %
- Shared Intergovernmental - Unrestricted 17.45 %
- Capital Grants 6.73 %
- Utility Users Tax 5.10 %
- Other Taxes 2.62 %
- Property Taxes 0.72 %

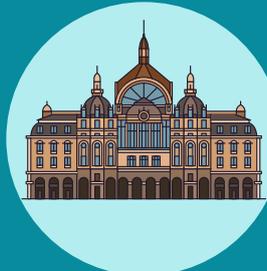
Four Major Sources of Revenue

Sales Tax



Annual receipts for the fiscal year ended June 30, 2021, **increased by \$1,289,647** from the prior year due to some new businesses in the city and the re-opening of some businesses that previously had to shut due to the pandemic.

Inter-governmental Revenues



Annual receipts for the fiscal year ended June 30, 2021, **increased by \$416,490** from the prior year. This amount represents the state motor vehicle in-lieu tax.

Operating Grants



Governmental Activities operating grants and contributions were mainly from public safety street, road, and community enhancement grants that were for maintenance and operations as well as CARES Act allocations for CDBG Supplemental and DOJ for public safety. The amounts also included the CARES Act Relief funding for cities and the Great Plates program.

Capital Grants



The decrease in capital revenues reflects **closure of capital projects** in the prior fiscal year. During the fiscal year ended June 30, 2021, only a handful of projects remained open/under construction.

Expenditures



Governmental and business-type activity expenses of the City for the year totaled \$57,909,936. Governmental activity expenses totaled \$57,177,009 or 98.7% of total expenses. Business-type activities expenses totaled \$732,927 during the fiscal year. Public safety costs represented 40.8% of total governmental activities expenses and represented the largest single expense for governmental activities.

2021 Expenses by Function



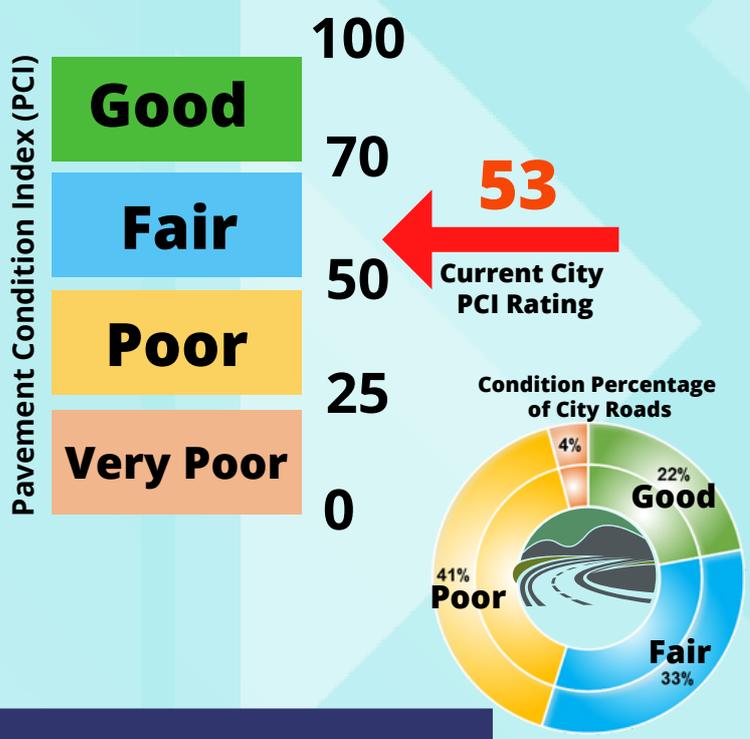
Expenses (Includes Governmental and Business-type Activities Expenses)
Revenue (Includes Program, General and Business-type Activities Revenues)

Historical Trend of Revenues and Expenses

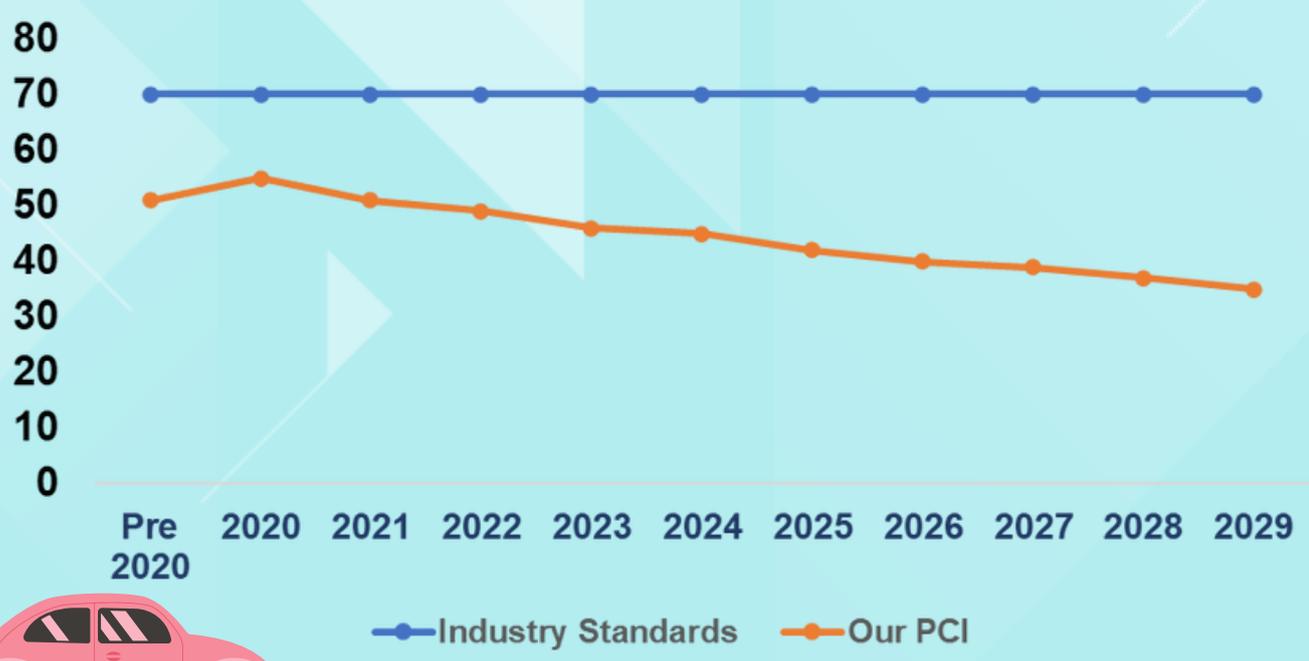


City Roads & Repairs

In April 2020, City staff presented a summary and report on the state of repair in our city from the City's Pavement Management System Study Session. The city worked with local pavement management experts and included hands-on in the field evaluations of every single publicly maintained street within the City. It concluded that we are leveraging a score of 53 out of 100 on the Pavement Condition Index (PCI) which is just three points above a poor rating according industry standards.



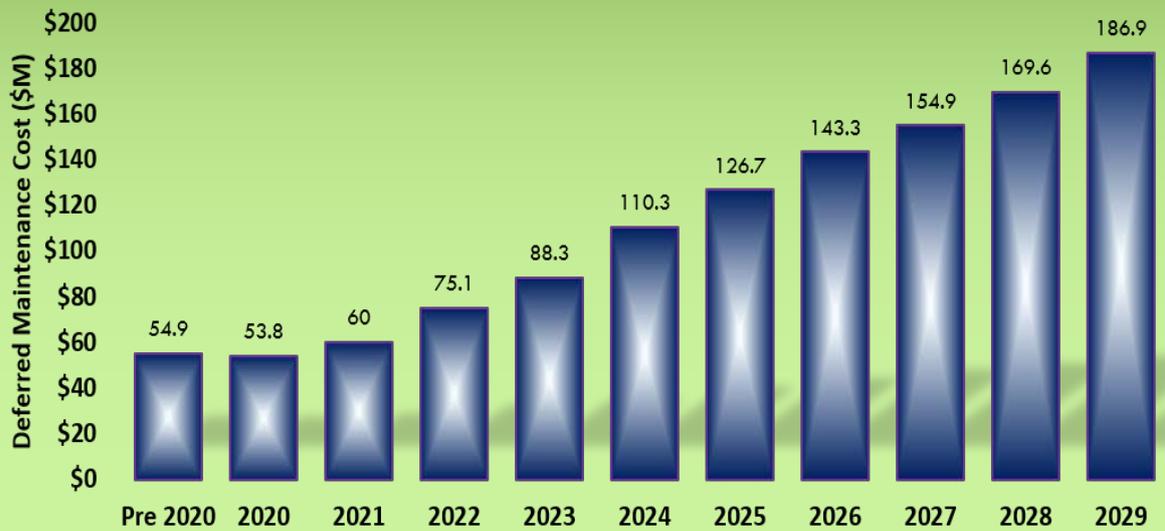
Currently, the city budget includes approximately \$2.1 million annually, or \$21.4 million between 2020 and 2029, to be used towards repaving our roads. This budgeted amount is not sufficient to maintain an average PCI rating of 53, must less improve it. Overtime, it is projected to decrease to an average PCI of 35 by 2029, well below the poor threshold of industry standards.



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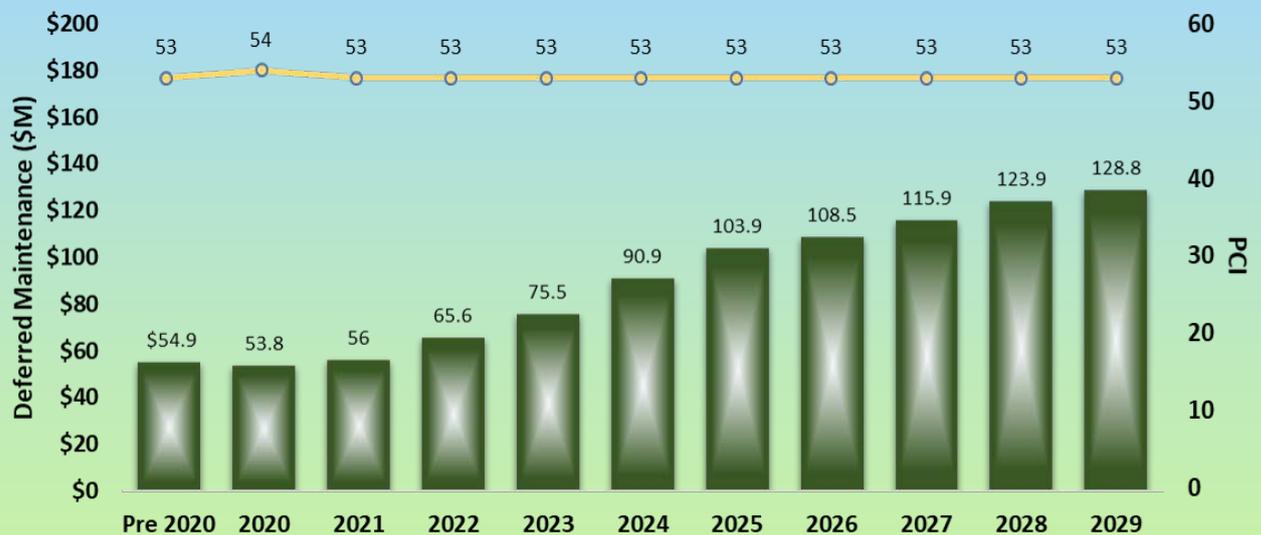
Costly Deferred Maintenance

It would cost approximately \$54.9 million in order to repair our roads up to the acceptable average PCI of 70. At the current rate of investment in road maintenance and with the continued deterioration of the roads over time, the estimated cost of maintenance increases from \$54.9 million in 2020 to \$186.9 million in 2029.



Declining Pavement Conditions

The city would need to increase its annual investment in road maintenance to \$9.3 million to prevent further deterioration and maintain the City's average PCI at 53. While this would stop the systematic problem of short-term solutions it does not fix everything.



Major Project Completed

2020 Accessibility & Drainage

This Project constructed accessibility and drainage upgrades throughout the city including:

- 13,541 square feet of sidewalk
- 3,114 linear feet of curb and gutter
- 3 storm drain manholes
- 15 storm drain inlets
- 774 linear feet of storm drain pipe
- 28 new ADA compliant curb ramps

Replacing and upgrading storm drain infrastructure reduces localized flooding while increasing storm drain system longevity. Construction of ADA compliant curb ramps, sidewalk, curb & gutter help increase accessibility and promote active transportation within the community by providing safe and convenient facilities.

Maidstone Way & Fleetwood Dr at Madison Ave.



Before



After

Improved accessibility for citizens through a new ramp.



12/01/2020 14:56

Tupelo Dr. & Daly Ave.



Before



After

Better accessibility and drainage for residents of Tupelo Dr.

Storm Drain Repairs



Before

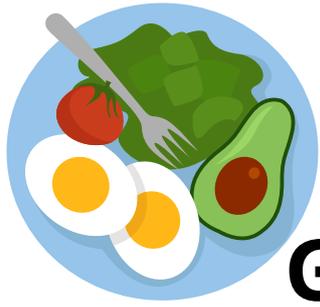


After

New Drain Pipes

01/12/2021 13:39

COVID - 19



Great Plates

\$ 2.4 Million

May 2020 to January 2021

The City of Citrus Heights participated in the Great Plates Delivered Program. This program was a meal delivery service for local, at-risk seniors who were homebound due to the COVID-19 pandemic. It was funded by the City and the Federal Emergency Management Agency (FEMA) and administered by the California Office of Emergency Services (CalOES). Between May 2020 and January 2021, the city and seven of its local restaurants were able to serve over 100,000 meals to nearly 200 residents and invested approximately \$2.4 million into the Citrus Heights economy.

CARES Act Relief Funding

The **Coronavirus Aid, Relief, and Economic Security (CARES) Act (2020)** provided fast and direct economic assistance for American workers, families, small businesses, and industries. It was implemented through a variety of programs to address issues related to the onset of the COVID-19 pandemic however the City of Citrus Heights only received funding from two sources.

One the of the programs to receive CARES Act funding was the **Community Development Block Grant (CDBG)** program that is administered through the U.S. Department of Housing and Urban Development (HUD). Under this program, the city was able to partner with local non-profits to provide food and housing for those in need within the community. For example, Sunrise Food Ministry and Meals on Wheels provided food services while Rebuilding Together Sacramento administered the city's Critical Home Repair Program.

The second funding source was passed through from the State of California via the **Coronavirus Relief Fund Allocations** to cities. The City of Citrus Heights received \$1,084,214 and used these funds to pay for increased public safety and city expenditures related directly to the COVID-19 pandemic.



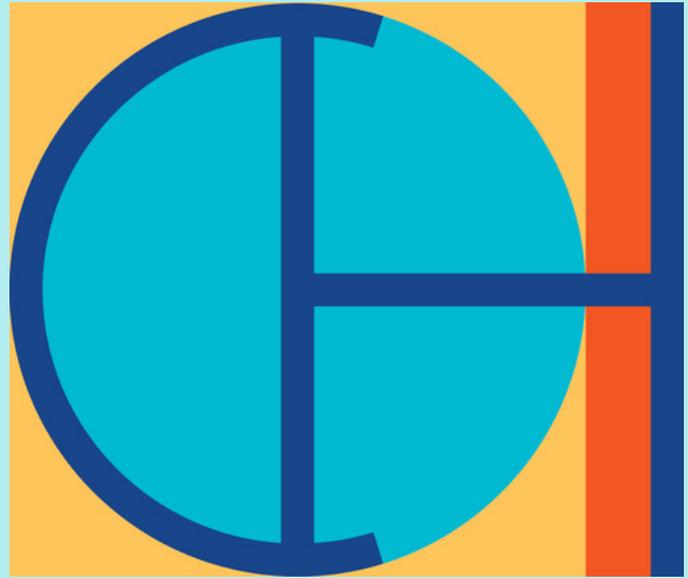
Contact Us

**6360 Fountain Square Drive
Citrus Heights, CA 95621**

Phone: 916-725-2448

TTY/DD: CA Relay Service 7-1-1

Fax: 916-725-5799



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