



Continuing Disclosure Annual Report

For Fiscal Year Ended June 30, 2019

Prepared for:

CITY OF HANFORD



By:

ANALYTICS & COMPLIANCE GROUP

A Division of Urban Futures, Inc.

City of Hanford

Continuing Disclosure Annual Report for the Fiscal Year Ended June 30, 2019

Affected Issuance:

CITY OF HANFORD

\$12,725,000

Water Revenue Refunding Bonds

Series 2013

City of Hanford

Continuing Disclosure Annual Report for the Fiscal Year Ended June 30, 2019

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INTRODUCTION

I. BACKGROUND

\$12,725,000, Water Revenue Refunding Bonds Series 2013

On July 9, 2013 the City of Hanford (the “Issuer”) issued its \$12,725,000 Water Revenue Refunding Bonds, Series 2013 (the “2013 Bonds”) The Bonds were issued to (i) refund the City’s currently outstanding obligations under the Installment Purchase Agreement, dated as of December 1, 2003 (the “CSCDA 2003C IPA”) by and between the City and California Statewide Communities Development Authority (“CSCDA”); (ii) refund the City’s obligation to make certain installment payments (the “2007 Installment Payments”) pursuant to the Installment Sale Agreement dated as of December 20, 2007 (the “2007 Installment Sale Agreement”) by and between the City and the City of Hanford Public Improvement Corporation; and (iii) pay costs of issuance of the 2013 Bonds. Please see the Official Statement for the Bonds, as provided online at Municipal Securities Rulemaking Board’s EMMA repository for further background information. Capitalized terms used but not defined herein shall have their meanings as given in the Indenture

Interest on the 2013 Bonds is payable on April 1 and October 1 of each year, commencing October 1, 2013 with principal payments due on October 1.

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II. OBJECTIVE

Pursuant to the Continuing Disclosure section of the Official Statement and Continuing Disclosure Agreement/Certificate for the Affected Issuance(s), this Annual Report is being provided by the Dissemination Agent for distribution to the MSRB's EMMA document repository.

This Annual Report has been prepared by Analytics & Compliance Group, a division of Urban Futures, Inc., at the direction of the City. The information set forth herein has been furnished by the City and/or County, along with other sources believed to be reliable, but no representation as to the accuracy or completeness of any such information is made by the City or Urban Futures, Inc. The City and Urban Futures, Inc. make no representation that this Annual Report contains all information material to make a decision to purchase or sell bonds or any other debt obligations of the City. Any information contained herein which involves estimates, forecasts, projections, and expressions of opinion, whether or not expressly stated, is intended solely as such and is not to be construed as representations of fact by the City or Urban Futures, Inc., and no representation is made that such opinions or estimates will be realized. The information, opinions, and estimates herein are subject to change without notice. The City and Urban Futures, Inc. shall not take responsibility for any statements or information of any kind disseminated to the MSRB or EMMA or any other medium that is not disseminated by and authorized in writing by either the City or Urban Futures, Inc.

III. CUSIP NUMBERS

The CUSIP numbers below are provided for convenience of reference.

City of Hanford Water Revenue Refunding Bonds Series 2013	
<u>Maturity Date</u>	<u>CUSIP*</u>
10/1/2013	410396AH8
10/1/2014	410396AJ4
10/1/2015	410396AK1
10/1/2016	410396AL9
10/1/2017	410396AM7
10/1/2018	410396AN5
10/1/2019	410396AP0
10/1/2020	410396AQ8
10/1/2021	410396AR6
10/1/2022	410396AS4
10/1/2023	410396AT2
10/1/2024	410396AU9
10/1/2025	410396AV7
10/1/2026	410396AW5
10/1/2027	410396AX3
10/1/2028	410396AY1

*CUSIP is a registered trademark of American Bankers Association.

FINANCIAL INFORMATION & OPERATING DATA

The following financial information and operating data is provided pursuant to the Continuing Disclosure section of the Official Statement and the Continuing Disclosure Agreement/Certificate.

I. FINANCIAL STATEMENTS

As outlined in the Continuing Disclosure Agreement/Certificate, the financial statements required as part of the Annual Report for the fiscal year ended June 30, 2019 will be posted to the EMMA document repository upon availability.

II. WATER SYSTEM FIVE-YEAR CAPITAL IMPROVEMENT PLAN

The City, in connection with the adoption of its budget each year, adopts a five-year Capital Improvement Plan (“CIP”). The table below presents a summary of the Water System’s proposed improvements and the sources for payments.

CITY OF HANFORD					
Water Projects					
Five Year Capital Improvement Plan					
Project Title	2020	2021	2022	2023	2024
Unscheduled Main Extensions / Replacements	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Water Main Oversizing Requirements	50,000	50,000	50,000	50,000	50,000
Meter Replacement Program	300,000	300,000	300,000	300,000	300,000
AMR Replacement Program	230,000	230,000	230,000	230,000	230,000
Water System Security Upgrades	50,000	-	50,000	-	50,000
Water Main Replacement Program	700,000	-	700,000	-	700,000
New Water Supply Well	2,100,000	1,900,000	-	460,000	1,550,000
Water Distribution Main Extension Program	-	1,200,000	-	1,200,000	-
Industrial Park Water Storage Facility	-	-	310,000	4,190,000	-
Total	\$3,480,000	\$3,730,000	\$1,690,000	\$6,480,000	\$2,930,000
Funding Sources					
Water Capital	\$3,430,000	\$980,000	\$1,440,000	\$3,040,000	\$1,880,000
Water Impact Fees	50,000	2,750,000	250,000	3,440,000	1,050,000
Total	\$3,480,000	\$3,730,000	\$1,690,000	\$6,480,000	\$2,930,000

Source: City of Hanford

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III. NUMBER OF CONNECTIONS BY USER TYPE

The table below presents a historical summary of the number of connections to the Water System by user type.

CITY OF HANFORD					
Water System					
Number of Connections by User Type (Fiscal Year Ended June 30)					
User Type	2015	2016	2017	2018	2019
Single Family Residential	14,473	14,848	14,699	14,996	15,209
Multi Family Residential	532	548	558	550	553
Commercial/Industrial	1,080	1,065	1,332	1,364	1,367
Other	358	331	356	357	390
Total All Users	16,443	16,792	16,945	17,267	17,519

Source: City of Hanford

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IV. REVENUES BY USER TYPE

The table below presents a historical summary of the Water System revenues by user type.

CITY OF HANFORD Water System Revenues by User Type (Fiscal Year Ended June 30)									
User Type	Percentage of Revenues	2016	Percentage of Revenues	2017	Percentage of Revenues	2018	Percentage of Revenues	2019	Percentage of Revenues
Residential	72.45%	\$4,759,204	81.19%	\$6,120,373	74.24%	\$7,039,923	74.18%	\$6,771,181	71.95%
Business/Commercial	15.57%	627,580	10.71%	1,282,791	15.56%	1,453,790	15.32%	1,563,275	16.61%
Industrial	1.58%	109,750	1.87%	169,266	2.05%	181,728	1.91%	202,921	2.16%
Public Agency	10.41%	365,570	6.24%	671,111	8.14%	814,393	8.58%	873,018	9.28%
Total All Users	100.00%	\$5,862,104	100.00%	\$8,243,541	100.00%	\$9,489,834	100.00%	\$9,410,395	100.00%

Source: City of Hanford

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V. TEN LARGEST WATER CUSTOMERS BY REVENUE

The table below presents the ten largest users of the Water System by revenue for the most recently completed Fiscal Year.

CITY OF HANFORD			
Water System			
Ten Largest Water Customers by Revenue (Fiscal Year Ended June 30, 2019)			
User Name⁽¹⁾	Use	Fiscal Year 2018-19 Billings	Percentage of User Fees
Marquez Brothers	Cheese Manufacturing	\$288,319	3.06%
Tessengerlo Kerley, Inc.	Agricultural	125,333	1.33%
County of Kings	Governmental	109,481	1.16%
State of California	Public use	69,105	0.73%
Edgewater Isle	Multifamily Housing	63,448	0.67%
Hanford High East	Institutional	56,816	0.60%
Hanford High West	Institutional	55,946	0.59%
Soccer Complex	Recreational	47,759	0.51%
Pitman Family Farms	Agricultural	39,701	0.42%
Adventist Health	Healthcare	35,369	0.38%
Totals		\$891,276	9.47%

(1) Customers ranked on basis of water billings for FY 2018-19.

Source: City of Hanford

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VI. HISTORICAL WATER RATE INCREASES - RESIDENTIAL

The table below presents a historical summary of water rate increases for residential users of the Water System.

CITY OF HANFORD Water System Historical Water Rate Increases - Residential					
Fiscal Year	Residential Monthly Fee	Proposed Increase	Actual Increase	Monthly Fee	Effective Date⁽¹⁾
2012-13	\$0.69	\$0.00	\$0.00	\$0.69	9/1/2007 ⁽¹⁾
2013-14	0.69	0.00	0.00	0.69	9/1/2007 ⁽¹⁾
2014-15	0.69	0.00	0.00	0.69	9/1/2007 ⁽¹⁾
2015-16	1.04	0.35	0.35	1.04	1/1/2016 ⁽²⁾
2016-17	1.13	0.00	0.00	1.13	7/1/2016 ⁽²⁾
2017-18	1.13	0.10	0.10	1.23	7/1/2017 ⁽²⁾
2018-19	1.23	0.11	0.11	1.34	7/1/2018 ⁽²⁾

(1) Pursuant to Resolution No. 07-03-R, adopted February 6, 2007.

(2) Pursuant to Resolution No. 15-60-R, adopted December 15, 2015.

Source: City of Hanford

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VII. HISTORICAL WATER RATE INCREASES - INDUSTRIAL

The table below presents a historical summary of water rate increases for industrial users of the Water System.

CITY OF HANFORD Water System Historical Water Rate Increases - Industrial					
Fiscal Year	Industrial Flow Rate ⁽¹⁾	Proposed Increase	Actual Increase	Monthly Fee	Effective Date
2012-13	\$0.69	\$0.00	\$0.00	\$0.69	9/1/2007 ⁽²⁾
2013-14	0.69	0.00	0.00	0.69	9/1/2007 ⁽²⁾
2014-15	0.69	0.00	0.00	0.69	9/1/2007 ⁽²⁾
2015-16	1.04	0.35	0.35	1.04	7/1/2016 ⁽³⁾
2016-17	1.13	0.00	0.00	1.13	7/1/2016 ⁽³⁾
2017-18	1.13	0.10	0.10	1.23	7/1/2017 ⁽³⁾
2018-19	1.23	0.11	0.11	1.34	7/1/2018 ⁽³⁾

(1) Per millions gallons.

(2) Pursuant to resolution no. 07-03-R, adopted February 6, 2007.

(3) Pursuant to Resolution No. 15-60-R, adopted December 15, 2015.

Source: City of Hanford

VIII. WATER SERVICE CHARGE

The table below presents a historical summary of the City’s Water System service charges as of July 1, of each year.

CITY OF HANFORD Water System Water Service Charge - All Customers					
	July 1, 2015	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
INDUSTRIAL	\$6.14	\$13.22	\$14.27	\$15.41	\$15.41
NON-INDUSTRIAL					
Residential	\$6.14	\$13.22	\$14.27	\$15.41	\$15.41
Commercial	\$6.14	\$13.22	\$14.27	\$15.41	\$15.41
Public Agency	\$6.14	\$13.22	\$14.27	\$15.41	\$15.41

Source: City of Hanford.

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IX. IMPACT FEES

The table below presents a summary of the City’s Water System impact fees.

CITY OF HANFORD Water System Water Impact Fees					
Use	July 1, 2015	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019
Single Family Residential	1940.12/unit	2,039.13/unit	2,099.49/unit	2,099.49/unit	2,099.49/unit
Multi-Family Residential	1494.04/unit	1,570.29/unit	1,616.77/unit	1,616.77/unit	1,616.77/unit
Commercial	1.2381/sq ft	1.3013/sq ft	1.3398/sq ft	1.3398/sq ft	1.3398/sq ft
Industrial	1.1822/sq ft	1.2425/sq ft	1.2793/sq ft	1.2793/sq ft	1.2793/sq ft
Public Use	0.2560/sq ft	0.2690/sq ft	0.2770/sq ft	0.2770/sq ft	0.2770/sq ft

Source: City of Hanford.

X. WATER RATE USER FEE COMPARISON

The table below presents a comparison of the City’s current average monthly residential water bill with that of other communities in the County.

CITY OF HANFORD Water System Comparison of Monthly Water Flat Rate Users Fees⁽¹⁾		
City	Connection Type	2018-19 Service Charge
Corcoran	Single Family Residential	\$28.00
Hanford	Single Family Residential	\$15.41
Visalia	Single Family Residential	\$15.31
Lemoore	Single Family Residential	\$22.00
Tulare	Single Family Residential	\$14.87

(1) All bills are monthly and based on 3/4" meter.

Source: City of Hanford

XI. SUMMARY OF HISTORIC OPERATING RESULTS

The table below presents a historical summary of the operating revenues and expenses of the Water System.

CITY OF HANFORD					
Water System					
Summary of Historical Operating Results (Fiscal Year Ended June 30)					
	2015	2016	2017	2018	2019
Revenues:					
Service Charges	\$5,834,543	\$6,453,076	\$9,216,200	\$9,932,009	\$9,809,141
Connections Charges	967,265	1,303,157	800,035	828,680	697,125
Interest Earnings and Other	2,586,318	840,845	399,816	86,995	240,036
Total Water Revenues	\$9,388,126	\$8,597,078	\$10,416,051	\$10,847,684	\$10,746,302
Operation & Maintenance Costs ⁽¹⁾	\$4,741,532	\$4,619,316	\$4,727,413	\$4,421,848	\$4,419,503
Net Operating Revenues	\$4,646,594	\$3,977,762	\$5,688,638	\$6,425,836	\$6,326,799
Debt Obligations:					
2013 Refunding Bonds	\$1,129,750	\$1,135,950	\$1,131,850	\$1,133,800	\$1,131,600
Debt Service Payments Total	\$1,129,750	\$1,135,950	\$1,131,850	\$1,133,800	\$1,131,600
Debt Service Coverage	4.11	3.50	5.03	5.67	5.59

(1) Excludes depreciation, capital expenditures and debt service.

Source: City of Hanford

XII. SUMMARY OF PROJECTED OPERATING RESULTS

The table below presents a projection of the operating revenues and expenses of the Water System. Projections are derived from the City of Hanford.

CITY OF HANFORD					
Water System					
Summary of Projected Operating Results (Fiscal Year Ended June 30)					
	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
	2020	2021	2022	2023	2024
Revenues:					
Service Charges	\$9,045,443	\$9,226,352	\$9,410,879	\$9,599,096	\$9,791,078
Connections Charges	478,717	488,291	498,057	508,018	518,179
Interest Earnings and Other	142,460	145,309	148,215	151,180	154,203
Total Water Revenues	<u>\$9,666,620</u>	<u>\$9,859,952</u>	<u>\$10,057,151</u>	<u>\$10,258,294</u>	<u>\$10,463,460</u>
Operation & Maintenance Costs ⁽¹⁾	\$4,047,220	\$4,128,164	\$4,210,728	\$4,294,942	\$4,380,841
Net Operating Revenues	\$5,619,400	\$5,731,788	\$5,846,423	\$5,963,352	\$6,082,619
Debt Obligations:					
2013 Refunding Bonds	\$1,129,850	\$1,128,250	\$1,126,150	\$1,128,025	\$1,127,650
Debt Service Payments Total	<u>\$1,129,850</u>	<u>\$1,128,250</u>	<u>\$1,126,150</u>	<u>\$1,128,025</u>	<u>\$1,127,650</u>
Debt Service Coverage	4.97	5.08	5.19	5.29	5.39

(1) Excludes depreciation, capital expenditures and debt service.

Source: City of Hanford

XIII. STATEMENT OF NET ASSETS

The table on the following page presents a historical summary of the Water System's Statement of Net Assets.

CITY OF HANFORD
Water System
Statement of Net Position (Fiscal Year Ended June 30)

	2015	2016	2017	2018	2019
ASSETS					
Current assets:					
Cash and investments	\$1,822,203	\$3,046,087	\$6,703,980	\$10,576,029	\$11,729,853
Restricted cash	3,124,917	324	40	39	39
Receivables, net	3,015,546	1,698,140	976,740	871,156	965,582
Prepaid expenses	6,000	10,000	10,000	10,000	15,481
Inventory	248,411	221,206	267,072	243,210	405,795
Due from other funds	30,135	-	-	1,042,708	1,042,708
Debt Issuance Costs	-	25,351	20,567	18,304	16,271
Total current assets	\$8,247,212	\$5,001,108	\$7,978,399	\$12,761,446	\$14,175,729
Noncurrent assets:					
Capital assets:					
Land	\$324,114	\$324,114	\$324,114	\$211,614	\$211,614
Building and improvements	48,792,627	48,973,989	50,099,706	51,004,306	56,780,882
Machinery and equipment	3,807,440	14,642,652	14,642,652	15,552,216	17,752,291
Construction in progress	8,752,265	3,365,716	3,779,484	4,398,911	308,483
Less accumulated depreciation	(15,213,481)	(16,383,451)	(18,134,568)	(20,417,483)	(22,295,757)
Total capital assets (net of accumulated depreciation)	\$46,462,965	\$50,923,020	\$50,711,388	\$50,749,564	\$52,757,513
Total noncurrent assets	\$46,462,965	\$50,923,020	\$50,711,388	\$50,749,564	\$52,757,513
Total assets	\$54,710,177	\$55,924,128	\$58,689,787	\$63,511,010	\$66,933,242
Deferred outflow of resources:					
Deferred outflows related to pensions	\$271,621	\$323,576	\$798,681	\$924,998	\$635,984
Deferred outflows related to OPEB	-	-	-	-	68,523
Total deferred outflow of resources	\$271,621	-	-	-	\$704,507
LIABILITIES					
Current liabilities:					
Accounts payable	\$730,285	\$294,729	\$856,928	\$496,927	\$618,530
Salaries and benefits payable	38,945	54,490	50,747	50,041	68,689
Deposits and unearned revenue	261,812	295,861	305,584	335,293	326,097
Due to other funds	-	-	-	1,042,708	1,066,618
Interest payable	200,076	191,724	159,194	167,060	137,954
Compensated absences - current portion	-	-	-	2,927	6,188
Current portion of long-term debt	1,063,243	1,254,487	1,324,225	1,397,179	1,196,474
Total current liabilities	\$2,294,361	\$2,091,291	\$2,696,678	\$3,492,135	\$3,420,550
Noncurrent liabilities:					
Compensated absences payable	\$61,160	\$67,760	\$84,935	\$94,631	\$96,941
Net OPEB liability	110,962	107,208	91,081	85,849	153,575
Unamortized bond premium	436,147	399,763	363,379	327,031	290,683
Net pension liability	2,189,932	2,449,624	2,909,830	2,890,664	2,116,070
Bonds and notes payable	19,557,275	18,168,237	16,844,012	15,446,833	14,250,357
Total noncurrent liabilities	\$22,355,476	\$21,192,592	\$20,293,237	\$18,845,008	\$16,907,626
Total liabilities	\$24,649,837	\$23,283,883	\$22,989,915	\$22,337,143	\$20,328,176
Deferred inflows of resources:					
Deferred inflows related to pensions	\$481,571	\$252,677	\$151,753	\$388,682	\$606,232
Total deferred inflow of resources	\$481,571	\$252,677	\$151,753	\$388,682	\$606,232
NET POSITION					
Net investment in capital assets	\$25,842,447	\$31,500,296	\$32,543,151	\$33,578,521	\$37,019,999
Restricted for debt service	3,124,917	324	40	39	39
Unrestricted	883,026	1,210,524	3,803,609	8,131,623	9,683,303
Total net position	\$29,850,390	\$32,711,144	\$36,346,800	\$41,710,183	\$46,703,341

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XIV. SIGNIFICANT EVENTS

In compliance with the Continuing Disclosure Agreement/Certificate, material event notices are posted on MSRB's EMMA document repository at the following web address under the "Continuing Disclosure" tab:

\$12,725,000, Water Revenue Refunding Bonds Series 2013

<http://emma.msrb.org/IssueView/IssueDetails.aspx?id=EA347095>